

SYSTEM AND METHODS FOR MEDICAL SERVICES AND TRANSACTIONS

Inventor: Edward W. Knowlton

5

RELATED APPLICATIONS

10 This application claims the benefit of priority to U.S. Provisional
Application Serial No. 60/398,371, filed July 25, 2002, entitled "System And
Methods For Medical Services And Transactions " which is fully incorporated
by reference herein.

15

FIELD OF THE INVENTION

Embodiments of the invention relate to a method of providing services
to a medical practitioner and a patient. More particularly, embodiments of the
invention relate to a method of providing services to a medical practitioner and
a patient on a network based system such as the Internet.

20

BACKGROUND OF THE INVENTION

25 The preparation and processing of health care transactions such as
medical insurance claims, physician reimbursement and patient enrolment and
reimbursement procedures involves transactions between multiple parties.
There is a need for better systems for the processing of these and other health
care transactions.

30

SUMMARY OF THE INVENTION

Embodiments of the invention provide a method and system for
providing a menu of services to a medical practitioner or physician group by a
service company or other organization using a processor, a computer or other

computational means, or a computer network or other electronic network known in the art. Other aspects of the invention can include methods for performing or otherwise facilitating the patient referral and enrolment process.

5 An embodiment of the invention provides a method of delivering service to and collection of fees for and from a medical practitioner by another party, organization or corporation.

Another embodiment of the invention provides a system and method for electronically entering into an agreement, such as a license, for the use of a proprietary or patented medical procedure by a medical practitioner. The system can be configured to select the agreement responsive to a selected
10 medical service contract or medical procedure. The system can also be configured to select agreement parameters such as number of uses and calculate licensing and or fees.

Still another embodiment of the invention provides a system and method
15 of signaling an agreement, such as a license, for the use of a proprietary or patented medical procedure by a medical practitioner wherein the agreement is signaled between a party such as a service corporation and the medical practitioner.

Yet another embodiment provides a method of administration of a health
20 care plan between a participating third party carrier and a client employer. Other aspects of the invention can include methods for a service organization or entity to provide online medical education, assistance as well as financial representation of the patient.

Still another embodiment provides a system for processing medical
25 service contracts transactions comprising a processor, an interface module coupled to one of the processor or a network; and a medical service contract module coupled to at least one of the interface module, or the processor. The contract module is configured to be coupled to a contract matrix having a plurality of medical service contracts. The contract module is also configured to
30 perform at least one of a contract selection function, a contract generation function or a contract execution function between a plurality of parties. The generation function includes the generation of a contract having a selectable

medical service parameter, wherein the contract module utilizes the contract matrix to perform the contract selection function, generation function or execution function responsive to at least one of a patient medical, financial or insurance input.

5 Another embodiment provides a system for processing medical transactions including a financial data module comprising a plurality of financial data stored therein. A financial transaction processing module is coupled to the financial data module and an interface module is coupled to the transaction processing module. The interface module is configured to be
10 coupled to a network.

 Another embodiment provides a system for processing medical business transactions including a financial data module comprising a plurality of financial data stored therein. A financial transaction processing module is coupled to the financial data module. An interface module is coupled to the
15 transaction processing module. The interface module is configured to be coupled to a distributed network. A contract module is coupled to the interface module and is configured to perform one of a contract selection, modification or execution function. A medical database module is coupled to one of the interface module or the contract module. The medical database module is
20 configured to store a medical record.

 Still another embodiment provides a method for processing medical transactions including the signaling of data between a first party and a second party, wherein the data includes at least one of financial, medical or insurance data. A medical service contract is then generated having a medical service
25 parameter. The contract generation can be done utilizing at least one of a contract matrix or contract module configured to allow multiple groups of parties to enter into contract for the delivery of medical service to a patient. The contract generation is responsive to at least one of the financial data, the medical data or the insurance data. The contract is then signaled between the
30 first party and the second party. The contract is then executed utilizing at least one of the module, the processor or the network.

Still another embodiment provides a method for enrolling a patient into a medical service plan including creating a patient electronic file having a plurality of records and entering at least one of medical, financial or insurance data into a record of the plurality of records. A medical service contract is then selected from a contract matrix using a contract module, the selection being responsive to at least one of the medical, financial or insurance data. The contract is then executing between the patient and a medical service provider utilizing the module. The executed contract is then signaled to at least one of the patient, the medical service provider or another party.

BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 is a block diagram illustrating an embodiment of a medical transaction system that can be used in conjunction with various methods of the invention.

FIG. 2a illustrates a contract matrix that can be used as a checklist for contract selection.

FIG. 2b is a block diagram illustrating of an embodiment for signaling a contract between one or more parties such as a physician patient, etc.

FIG. 3 is a process flow chart illustrating an embodiment of the reimbursement process

FIG. 4 is a block diagram illustrating an embodiment of a method for the physician or physician's representative to register a patient and generate a medical service contract.

FIG. 5 is a block diagram illustrating an embodiment of a method for the company representative to register a patient, physician or medical facility and check on reimbursement status.

FIG. 6 illustrates the use of fields that can be used and displayed on web pages that can be used with the embodiments of FIGS. 4 and 5 and other embodiments configured for Internet usage or implementation.

FIG. 7 is a flow chart illustrating an embodiment of method for enrolling a new patient.

DETAILED DESCRIPTION

5 An embodiment of the invention provides a method of providing a menu
of services to a medical practitioner or physician group by a service company or
other organization using electronic, network, computer, digital means and the
like. The medical practitioner or group, also called the healthcare or service
provider, can be an independent individual or group having no affiliation with a
particular hospital, HMO or health plan or they can various levels of affiliation
10 with one or more of these entities. The service company (herein after "SC"),
also called the company, can be an independent organization having no
affiliation with a particular physician, physician group, hospital, HMO,
insurance company or health plan and the like or it can have various levels of
affiliation with one or more of these entities. As used herein, the medical
15 practitioner can be, without limitation, a medical doctor, a physician, a surgeon,
a doctor of osteopathy, a dentist, a chiropractor or other medical practitioner
known in the art. Also in various embodiments, the SC can be incorporated, a
partnership, a limited partnership, a limited liability partnership, a public
corporation, a private corporation, a proprietorship and combinations thereof.

20 In various embodiments, the services provided to the medical
practitioner or group can include but are not limited to: the patient referral
process, fee calculation, fee collection, reimbursement including third party
reimbursement, patient eligibility, medical procedures, patient-physician and
patient care contracts, physician insurance company contracts, patient referrals,
25 IPA (Independent Physician Association) agreements, IPA management and
combinations thereof.

 Another embodiment of the invention involves a method of delivering
service to and collection of fees for a medical practitioner by another party,
organization or corporation. Other related embodiments of the invention can
30 include methods for performing or otherwise facilitating the patient referral
process. This can include without limitation referral of a patient from the SC to
a physician, from a first physician to a second physician, from a hospital to a

physician, from an insurance plan to a physician, from a physician group to a physician, self referral and the like. Another embodiment provides a method of administration of a health care plan between a participating third party carrier and a client employer.

5 Referring now to Figure 1, in various embodiments one, or more methods of the invention can be implemented over a network 16 or other electromagnetic communication means 16c using a medical transaction system 10. In various embodiments, system 10 can be a processor, computer, network, carrier wave or optical based system. System 10 can include, or be configured
10 to include, a computer, a personal computer, a server, networked computers, a microprocessor chip set, ASIC or other logic resources and the like. Example processors can include Intel® Pentium® or Itanium®-based microprocessor or a Motorola® Power PC® chip or a RISC based processor. Also in various embodiments, system 10 can include one or more modules 12 that include
15 electronic algorithms or instruction sets for performing one or more functions or operations of system 10. Such functions can include all or portion of various methods of the invention described herein such as patient enrolment, contract selection and physician reimbursement.

Network or communication means 16c can include without limitation, a
20 computer network, a local area network, a wide area network, a TCP/IP network, the Internet, the World Wide Web or other distributed network, an optical network, a phone system or a wireless based phone system (an example being a cellular phone system).

For Internet and related configurations of system 10, the system can be
25 accessed via a web browser 17 known in the art using a personal computer or other internet access device 18 known in the art (e.g., a PDA or cellular phone). Example web browsers can include various versions of Netscape® Navigator®, Netscape Communicator®, and Microsoft® Internet Explorer®. A user 13 of system 10 can utilize web browser 17 to access the system including modules
30 12 by entering a URL (universal resource locator) into web browser 17 to access a website 19 and/or module 12 on system 10. Websites 19 can be located on a web server or interface module 12i described herein. In various embodiments

users 13 can include, without limitation, patients, medical practitioners, surgeons, nurse practitioners, contracting parties, the SC, their representatives and the like.

5 In various embodiments, modules 12 can include programs, subroutines, algorithms or algorithmic instructions stored on magnetic, optical or other storage media or storage resources known in the art. Module 12 can also include, without limitation, an object oriented program, a subroutine, a fuzzy logic routine, a portion of a program, or a hardware component capable of performing a stated task, function or algorithm. In various embodiments, a
10 module 12 can exist only on a single hardware component, such as a server, independently of other modules. Alternatively, a module can exist and interact with other modules on the same server or within the same program or on multiple servers, workstations or nodes of a distributed electronic network. Further a module 12 can be a subroutine, a nested subroutine, subprogram, call-
15 up function or object-oriented subprogram, and the like of another module. One or more modules may contain multiple nested modules or otherwise integral sub-modules. Figure 1 illustrates the function and relationships of one or more such modules 12 employed by various embodiments of system 10.

In various embodiments, system 10 and/or modules 12 can be
20 configured to perform one or more of the following functions: (i) transfer of contracts between at least one of the SC, Payer, patient or physician vial e-mail, facsimile or other electromagnetic communication means, (ii) data acquisition concerning the a) patient, his/her insurance policy, diagnosis & treatment, b) the provider and c) Payer; (iii) database management of information which can
25 include the use of a lookup table, matrix or checklist to determine the correct set of contracts and a coupled set of contracts; and (iv) database management of receivables, collections, payables and the like.

Modules 12 can include a master module 12m coupled to other modules 12 described herein. Master module 12m can include call up functions or
30 routines known in the art for engaging other modules 12. Other modules 12 can include without limitation, a contract module 12c for selecting, modifying and/or executing contracts; an interface module 12i for communicating between

modules 12 and a network such as the Internet; an eligibility module 12e for determining/calculating patient eligibility; a reimbursement module 12r for performing or facilitating physician/health care provider reimbursements; a fee calculation module 12f which can include a baseline fee calculation module 12b; a referral module 12rf for handling or facilitating patient and/or physician referrals; a medical procedure module 12mp for facilitating, determining or licensing appropriate procedures or storing medical procedure data; a triage module 12t for performing a triage or prioritization function of incoming patient calls or emails requesting medical services; and a telemedicine module 12tm for communication of patient data, vital signs, images etc. In an embodiment, Interface module 12i can be a web server known in the art and can support one or more websites 19.

In various embodiments, one or more modules 12 can be interfaced with a database 14 (such as a patient database 14), which itself can comprise a module 12 or electronic or optical data storage medium, or other data storage device known in the art. Examples of data storage devices include but are not limited to hard drives, zip drives, PCMCIA cards, ROMs, CD ROMs and other optical storage devices known in the art. Databases 14 can include but are limited a medical record database 14', a medical procedure database 14'', a physician database 14''' and combinations thereof. In an embodiment, database 14 can be a relational database known in the art. In still other embodiments, system 10 can be configured to implement one or more methods of the invention (e.g., contract selection and execution) directly between a company or organization and the medical practitioner without the use of a hard-wired computer network. An example would include a method implemented over a phone system, cellular phone system, wireless PDA system, or other wireless or cellular communications system known in the art.

Another embodiment of the invention can include a telemedicine module 12tm configured for providing a telecommunication (e.g. phone, radio, carrier wave and the like) link or electronic network (e.g. the Internet) link between the physician and the SC, the SC and the patient or the physician and the patient or any one of these entities and another entity. An example of such a

module is shown in Figure 1. In various embodiments the telemedicine module 12tm or link can be configured to transmit patient data 11 including, but not limited to, medical images (e.g. ultrasound, x-ray, ct scans, mri, and the like) and patient vital signs and statistics (e.g. EKG, EEG, respiration rate, heart rate, heart sounds, fetal heart sounds, blood pressures and the like) both real-time and stored or a combination of both. A related embodiment provides a method to utilize a medical provider's portable device or PDA and associated database system configured to collect, store, and report historical patient-care information at the site of patient service or remotely at another site including the nurse practitioner's or physician's office or home, the service provider's office or the service company's office. These and related embodiments can be configured to allow the physician, or other health care-provider, to access and record not only patient status information, but other patient-treatment information as well, including but not limited to, prior and current medications, medical history, blood type, allergies, genetic data and genetic markers and the like. Various embodiments of the invention can also include one or more modules for performing, or facilitating all or a portion of the patient referral process. Genetic markers can include markers for disease predisposition (e.g. via the p53 gene), drug effectiveness and drug resistance.

Embodiments of the invention can comprise a method of electronically communicating and/or executing contracts between two or more parties including, but not limited to, the patient, the healthcare or service provider, the payee, the SC and combinations thereof. This can be accomplished using a contract module 12c with one or more algorithms configured for generating, exchanging, completing, authenticating or executing all or portions of a contract and combinations thereof. The contracts can include without limitation a patient service contract, health care provider contracts and other contracts described herein. The contracts can be integral or electronically coupled to contact module 12c, other module 12 or database 14. In an embodiment, the contracts can be contained in a separate contract database 15 coupled to module 12c. Database 15 can include or be coupled to a contract matrix 15' that can have a contract architecture 15". An example of the content of the contract

matrix is shown in Figure 2a. Contract module 12c can, be configured to use the contract matrix 15' to select the appropriate contract to utilize based on input signaled from one or more users 13 (e.g. patient, health care provider, etc) of system 10. Examples of input can include without limitation: i) medical
5 input including, the patient medical profile, medical history, conditions, operations, allergies, medications, etc; ii) financial input including credit history, incomes level, credit/debit accounts; and iii) insurance input including insurance plan (e.g. group, etc.), insurance carrier, type of insurance, deductibles, co-payments, per cent payment, maximum payments, covered
10 procedures and conditions and the like.

In an embodiment, contract matrix 15' can be configured as an online contract database that can function as a checklist 15cl for medical conditions (see Figure 2a) as well as patient/health care provider conditions and situations (e.g., in verses out of network providers, patient information, etc.). An example
15 of another checklist that can be used is shown in Appendix VI. This list is exemplary and in various embodiments, the order or content of this list can be varied, as needed depending, for example, on the physician's specialty (e.g. plastic surgery vs. general surgery) and the patient population (e.g. pediatric vs. geriatric).

In various embodiments, the contract module 12c, database 15 or matrix 15' can be configured to perform one or more of the following functions: (i) ascertain that the patient has signed a contract with the SC; (ii) verify that patient is insured; (iii) identify the insurance carrier and the type and/or nature of coverage (deductibles, % coverage and the like); (iv) establish the status of
25 the patient in relation to the insurer (e.g. group policy member etc); (v) establish that the selected physician is in or out of network and/or has signed a contract with the SC; (vi) inform the patient before the delivery who the surgeon is going to be and/or what the cost is going to be; (vii) inform the insurance company before the delivery what the cost is going to be and/or who
30 the surgeon is going to be (viii) obtain approval from the insurance company before the delivery of care; and (ix) reach a contractual endpoint before the delivery of care.

Referring now to Figure 2b, in a various embodiment, the system 10 and/or contract module 12c can be configured to generate and signal all or portions of a contract 20 from a first party 22 to one or more other parties 24 (and visa versa) over a network 16 such as the internet or communication means 16c described herein. Example parties 22 and 24 can include without limitation, the patient, the SC, the physician or health care provider. A specific embodiment includes signaling the contract 20 between a first party 22 and a second party 24'. Contract 20 can include selectable medical service parameters 23 selected by the parties. Parameters 23 can include without limitation, patient access, priority levels, medical practitioner response times to patient requests, reimbursement levels, pre-authorization levels (e.g. by procedure type or costs) and combinations thereof. Parameters 23 can be selected using contract module 12c or other module 12. Also, various data and other information can be entered into the contract electronically via coupling to databases such as databases 14 or 15, network 16 or through manual entry by any party.

Manual entry can include keyboards, touch screens, touch pads and the like, other I/O devices known in the art, voice recognition algorithms or scanning of handwritten documents using scanning methods known in the art. In one embodiment of a method of the invention, the contract database can be configured to be queried by the representative (e.g. office worker) of a surgeon or other medical care giver and the appropriate contract set can be electronically selected, generated and signed and/or executed by the physician or physician's representative and patient or alternatively can be printed out and signed by the physician and the patient. The signed contracts can then be electronically communicated or faxed to the SC. The appropriate contracts can then be scanned and saved into the database under the patient's name or other identifier such as social security number, birth date, or created identifier number or code. The SC can also secure the appropriate signed prepayment contracts from the insurer and also capture the data under the patient's name or other patient identifier (e.g. social security number, network number, insurance policy number etc).

Another embodiment of the invention, contract module 12c and or system 10 can be configured to for electronically entering into an agreement, such as a license, for the use of a proprietary or patented medical procedure by a medical practitioner. Thy system can be configured to select the agreement responsive to a selected medical service contract or medical procedure. The system can also be configured to select agreement parameters such as number of uses, site use etc and calculate licensing and related fees based on one more of the following methods: i) a fixed fee use by use basis; ii) a % royalty basis of the physicians fees; iii) a volume use basis (e.g. 10-20 uses); iv) a site license basis for the physician or physician group; and v) combinations thereof. System 10 and/or module 12c can be configured to allow the medical practitioner, or their representative, to select from a pool or database 15pp of available patented procedures which can be coupled to database 15 or matrix 15'.

Various embodiments of the invention can be configured to provide methods for a service organization or entity (e.g. the SC) to provide one or more of the following: online medical education, assistance as well as financial representation of the patient.

As described herein, in an embodiment, the patient can be captured or otherwise enrolled with the SC via a patient service contract which can include an electronically or carrier wave executed contract. Such a contract can be executed electronically using electronic signature and/or encryption methods known in the art. For ease of discussion, the contract 20 is an electronically executed contract but other embodiments are equally applicable. In various embodiments contract module 12c or other modules 12 can be configured to allow the contract to be executed between: i) the patient and the SC; ii) the patient and an IPA, or iii) the patient and another party.

Among a variety of functions, the patient care contract can serve to provide financial representation of the enrolled patient. In these and related embodiments, the contract can be configured (e.g., using module 12c) to include medical insurers and medical service providers. These and related embodiments can be configured to provide the ability of calculating or estimating out of pocket patient expenses (e.g., using module 12f) including physician and

hospital co-payments and deductibles (hereafter co-payments) before the delivery of care. For surgeons and medical facilities that are not contracted with the SC, exclusive representation of the patient's financial interests can be pursued.

5 Before the delivery of care, related provider contracts can be obtained from other parties (e.g., an insurance company, surgeon and hospital/ medical facility) and executed by the SC with those parties using electronic, computer or other signaling means described herein. In these related service contracts, the surgeon and hospital/facility can agree to limit co-pay percentages and
10 deductible dollar amounts to usual or 'in network' percentages and deductible dollar amounts that are stipulated in the patient's policy using conventional means or electronic agreement and/or electronic signature means known in the art. (The capability to import, select and/or execute related provider contracts can be included in the contract module and can be performed using logic
15 resources described herein or known in the art.) In consideration for this service, an addendum can be added to the contract by the contract module 12c which can stipulate that the patient will pay to the SC a percentage of any cost savings. For contracted surgeons, the SC can mutually represent the interests of the physician and patient. Where required by state, municipal or other statutes
20 or guidelines, the SC can function as a management company for the contracting IPA. Where not required by statutes, the SC can directly contract with surgeons. The contract or systems can be configured to create a relationship between the surgeon and the patient where higher levels of reimbursement are provided to the surgeon through the establishment of an
25 appropriate 'allowed amount' before the delivery of care and greater access of the patient to the provider of choice under terms of a usual or 'in network' co-payments, even though the surgeon and/or hospital/ facility may be deemed to be 'out of network' by the insurer. In this 'out of network' scenario, contracted surgeons and facilities can agree to charge only the usual or 'in network' co-
30 payments. Furthermore, the related preferred provider contract (Appendix III) with the hospital/facility can be configured to require the hospital/facility to reduce the 'out of network' deductible charge to a usual or normal 'in network'

deductible charge. In an embodiment of a method of the invention, system 10 and/or the contract module 12c or database 15 can configured to select a contract whereby the hospital/medical care facility (but not the contracted surgeon) absorbs the write-off between the 'out of network' and the 'in network' deductible charges.

With the patient care contract, incentives can be offered by the SC to the insurer to enter into a patient care contract (see Appendix I). Such incentives can include without limitation, financial, cost containment, labor efficiencies and the like because the patient and their employer can function as a persuasive intermediary before the delivery of care.

In an embodiment one or more proprietary and/or patented surgical procedures or methods can be made available through contract to participating surgeons, physicians and other health care providers. System 10 and/or contract module 12c can be configured to allow the medical practitioner to license such proprietary/patented procedures during contract selection or as a contract addendum on as needed basis with use fees calculable on an individual or a group or site license basis or other licensing method known in the art. The collection and use of such proprietary methods is described here in as Method Based Care and systems utilizing one or more such procedures are described as a Method Based Care System.

Accordingly, in embodiments utilizing Method Based Care, system 10 or modules 12 can be configured to notify the insurer that a license may be required if a proprietary surgical method is prior authorized and reimbursed at an allowed amount determined by the insurer. Also, in these and related embodiments, contract module 12c or other module 12 can be configured to require licensing of patented surgical procedures by the participating insurer as a means to provide additional incentive in negotiating an appropriate allowed amount or reimbursement level before the delivery of care. The negotiated level can be determined utilizing module 12f and/or module 12c or other module 12. In an embodiment, the negotiated level can be based in part on a royalty basis for use of the patented procedure.

Various embodiments of systems and methods of the invention can also be configured to reduce patient out of pocket expense during extended, complex or otherwise protracted delivery of medical care. Specifically in instances in which care is protracted or complex, the patient may also have out of pocket expenses reduced with a contracted global fee structure; the patient will not incur unforeseen co-payment expenses. In this instance, a savings to the patient is produced even though the surgeon co-payment is collected before the delivery of care. These and other embodiments of methods of the invention can be applied to any definitive care procedure including but not limited to surgical, out patient, minimally invasive, non-invasive procedures or a diagnostic procedures performed by the physician, nurse or other medical personnel including externally contracted personnel or services.

In various embodiments, the patient care contract or other contract can be made available and executed between the respective parties through the Internet or other distributed network using contract and electronic signature routines known in the art. In various embodiments, these functions can be performed by a contract or contract execution module. A contract module 12c for performing contract execution can include, but is not limited to, capabilities for viewing the contract, contract data entry and modification, electronic signature and financial transactions (e.g. consideration) between the respective parties. The processing and execution of the contracts can include electronic signature methods and/or encryption algorithms known in the art including but not limited to public and private key algorithms.

Another aspect of the invention can include an agreement between the physician and the medical service organization which can be electronically implemented utilizing system 10 or other electronic network means described herein or known in the art. Embodiments of this agreement are shown and described in Appendices I-IV. The agreement can be electronically implemented, for example, utilizing the contract module 12c or other module 12 described herein.

In an alternative embodiment, system 10 can be configured to allow the SC to directly function as an HMO. Although assignment of the patient into a

company HMO would provide additional contract leverage with hospitals, a license as an HMO would be required.

Another embodiment of a method of the invention is configured to allow for the SC to function as a Health Care Plan or as an administrator of a Health
5 Care Plan that is underwritten by a Third Party Insurance Carrier. Cost containment mechanisms (via electronic or other means described herein) will be selectively applied or segmented for the different components of the professional health care system. In an embodiment, 'Segmented Cost Containment' (or SC2) can be employed. This cost containment approach can
10 include, but is not be limited to, the application of capitation or salaried compensation for primary care physicians. For diagnostic physicians such as radiologists and pathologists, and for ancillary services such as laboratory, a combination of cost containment mechanisms can be used. For routine diagnostic tests such as x-rays, CT-scans, mammography and the like as well as
15 for the examination of pathology slides, capitation and/or salary compensation methods can be employed. For more complex diagnostic procedures, either case management review or a global fee structure can be applied as cost containment mechanisms. For surgery that is a more unique and/or a more complex singular event, a patient care contract can be consummated before the delivery of care
20 (Appendix I). Prior to the procedure, the patient, insurer and surgeon can agree (using conventional or electronic means) to the allowed amount for the surgical procedure. The insurance benefit and the co-pay/deductible dollar amount that the patient must pay can be described in the patient care contract which can be configured to be viewed electronically including simultaneous viewing in
25 multiple remote locations with real time editing and updating capability. Other embodiments of the contract can include terms for a commitment by all contracted parties to settle any outstanding legal disputes by either binding arbitration or by no fault settlement.

Whether the company functions independently of the insurance carrier
30 or functions as a manager of a Health Care Plan that is underwritten by an insurer, embodiments of system 10 can be configured to allow the SC to obtain revenue from a variety of income sources. These revenue sources can include,

but are not limited to, a percentage, or fixed fee of the contracted allowed amount that will be charged to the surgeon. To assist the collection of the SC's service fee, the co-pay can be initially paid to the SC by the patient before the delivery of care. Any amount of the paid co-pay that is above the SC's service fee can be held by the SC; a portion of that additional amount may be rebated by the SC to the surgeon at the end of the corporate year. Another potential source of revenue is for the SC to function as a pricing company for the insurance company or for the SC to function as an administrator of a Health Care Plan. The SC may also obtain additional revenue when functioning as an administrator of an IPA.

In various other embodiments of methods of the invention, system 10 can be configured to allow the SC to perform a variety of functional service components. These can include, but are not limited to, health care service provider and financial service provider. These functions can include or otherwise be facilitated by the use of Internet based websites and associated links to other health care web sites. Health care service provider functions can include the following website components: (i) links to websites with patient education brochures; (ii) links to "approved" health care websites for general information (e.g. ACS.org); and (iii) links to disease-based websites for more detailed information (e.g. the Peg Procedures for breast cancer).

A business model embodiment of method of the invention can include the capability for electronic recommendation (e.g. via the Internet or other means described herein) of patients to surgeons. These and related embodiments can be configured to provide an electronic marketing method for prospective host SC surgeons. Recommending a patient to a surgeon's practice can provide a convenient platform to demonstrate how the host SC will expand the surgeon's own practice among referring physicians within their own geographical area. Using an 'out of network' embodiment of system 10 or contract module 12c, surgeons can be able to regain access to these 'out of network' patients that they had been previously denied access by an insurance strategy that applies penalties or financial disincentives against patients that choose to obtain medical care outside of a restrictive 'in network' insurance

‘panel of physicians’. Expanded access to these ‘out of network’ patients can be provided to both the surgeon and to the patient, the latter who can now choose, without financial penalties, the procedure and surgeon of their own choice.

5 For the insurer who is now less advantaged when negotiating a per procedure patient care contract with the SC, an incentive can also be created to negotiate in good faith a more encompassing contract for surgical procedures involving all of their subscribers. In this embodiment, the SC can become a pricing company that may reduce overall reimbursement outlays by the insurer.
10 Even though surgeon reimbursement may be enhanced, significant overall savings to the insurer may be provided by lowering or capping hospital/facility reimbursement through a preferred provider contract (see Appendix III). Embodiments utilizing this facility-preferred provider contract can be configured to allow the patient to only be charged the usual or normal in-
15 network co-pay % and deductible amount. An in-network status can be granted to the patient, even if the patient is deemed out of network for any reason. System 10 or modules 12 can be configured to determine or update the co-pay based on input from one or more of the following (i) the SC, (ii) the physician, (iii) the patient’s health-plan, or (iv) the patient’s insurance provider. Also in an
20 embodiment, the system can be configured to update or determine co-pay as well as reasonable and customary charges by polling databases from one or more health plans or insurance carriers

 In various embodiments, the host SC web sites, voice mail systems and other automated communications systems known in the art can be configured to
25 allow for patient inquiries into their condition, symptoms, care options and other medical related questions. Patients can make inquiries from email, voice mail or other electronic communications means known in the art using a personal computer, wireless PDA, cell phone or other handheld computer, telecommunication device or wireless device using communication protocols
30 such as Blue-Tooth and other protocols for handheld wireless and telecommunication devices. The system can be configured to allow registered

nurses to respond remotely to the patient either by phone, telecom, email and the like to discuss the patient's symptoms and answer their questions.

Referring to Figures 1, 3, 4 and 7, in various embodiments, system 10 can be configured to be used by registered nurse coordinators or other medical personnel to qualify and/or recommend surgeons to patients utilizing registration module 12reg, referral module 12rf or other module 12. These recommended surgeons can be selected based on their being credentialed at local hospitals in the patient's geographical area or at particular patient selected hospital or other surgical center (e.g. outpatient surgical units). These and other embodiments can be configured to allow the patient to select the both their physician and the medical facility for their surgery. The patient can also be informed which surgeons have access to the Method Based Care system.

In another embodiment, the nurse practitioner can be assisted in this process by use of triage module 12t (see Figure 1). Triage module 12t can employ algorithms to perform a triage or ranking of patient medical conditions. Such algorithms can include without limitation artificial intelligence based algorithms, heuristic based diagnostic algorithms, or fuzzy logic based routines. Triage module 12t can also be configured to receive inputs and exchange data with a patient medical records database 14 and/or real-time medical data and/or images inputted from the telemedicine module 12tm. Online nursing triaging embodiments can be configured to eliminate the expense and time of an initial examination by a general practitioner and allowing these practitioners to focus on more medically urgent patients increasing their efficiency and providing more rapid response time to the medical urgent patient. The triage module can be configured to include a ranking system or set of parameters entered by the physician, nurse or other medical care provider or insurance company. This allows the medical practitioner to adjust or in effect fine tune the triage or prioritization conditions to a particular patient profile (e.g. age, state of health etc.) to improve the accuracy and efficiency of the triage functions for multiple health profiles. For example, a ranking system can be established for an obstetrics practice where patients are given a response ranking based on how close to term they are and/or if they have any potential medical complications

(e.g. a weakened or prolapsed cervix, or are likely caesarian candidates). Also in an embodiment, the patient can select a level of service that allows them to have more direct or faster response times from the nurse practitioner or doctor via the SC communication network (e.g. web page, phone network etc). The fee for such service can be approximately inversely proportional to the assigned response time, projected response time or level of service. The determination of the fee can be mathematically determined using least squares, cubic spline, fuzzy logic or other modeling method known in the art.

Financial service provider embodiments of the system can include a general company introductory page or web site and an inquiry page or web site with linked email, voicemail and the like and combinations thereof. Patient inquiries generated from the website via email, voice mail or other communication means, can be responded to by an automatic email response which can be tailored to the patient's request, for example using a database or lookup table of answers to FAQ's. Patient inquiries can also be responded to by the office staff vial phone, email and the like and they can discuss the financial services that the SC can provide to patients who are considering surgery or other medical procedure. Particular embodiments can be adapted for patients with hearing, sight or other disabilities using accommodation technology known in the art including text telephone technology (e.g. TTY, or TDD), sip straw communication devices and the like. Financing sources for co-pay and deductible expenses can be made available to the patient.

Other aspects and embodiments can be configured to provide a method for expediting reimbursement of the physician. Any delays in the delivery of care will be attributed to the insurer. Various embodiments can be configured to allow the SC to manage the entire reimbursement process or portions thereof. This process can be configured to link all components of the insurance reimbursement system/bureaucracy into a single pathway that can be monitored and updated as needed. This can be done electronically through one or more modules including the reimbursement and fee collection modules or manually or a combination of both. Components of the reimbursement pathway can be linked in sequence to the delivery of care as shown in Figure 3. For surgeons

(and/or surgery centers) who contract with the SC for total management of their reimbursement, a baseline/incremental relationship may be established. In an embodiment this baseline/incremental relationship can be determined using one or more formulas in Appendix IV (see Appendix IV: The Computational Model For Reimbursement, example formulas used to calculate reimbursement are described therein.).

A discussion will now be presented of embodiments of the invention in which the SC can serve as a service provider for patients considering surgery. These embodiments along with information about the SC's services can be implemented and/or communicated on the Internet via web pages and associated web page links. In these and related embodiments, the SC can serve as an Internet (or other electronic network) medical center of board certified surgeons. A function of the SC in such embodiments can be to assist the patient in obtaining the appropriate surgical procedure for his or her condition and system 10 can be configured accordingly. For example, during this decision making process, the SC can represent the patient's interests by coordinating a treatment plan with his or her surgeon, hospital and medical insurer. Detailed information on the indications, benefits and potential complications of any surgical procedure can be included as part of this service, where such service can be elected utilizing contract module 12c or contract matrix 15'. This information can be included on the web pages described herein. Descriptions of various surgical procedures can be provided in non-technical language that is configured to be easy to understand by the layman. The timing and urgency of the procedure as it relates to the patient's specific diagnosis can also discussed. Additional details such as the appropriate facility for the procedure and the length of recovery can be included. Further assistance can also be obtained from the nurse practitioner who can personally discuss the patient's symptoms with them. At no cost to the patient, the nurse practitioner can describe options of care and orient the patient to the appropriate surgical specialty that can most effectively treat their condition. To limit the patient's out of pocket expenses, the front office staff can also function as an effective contract interface with the surgeon and hospital of the patient's choice. If desired by the patient, the SC can

also refer the patient's to a board certified surgeon for a second opinion. This second opinion service can also be complemented by the SC's proprietary contracting module. This financial service can be used by and configured for POS (point of service) patients who ultimately choose an "out of network" surgeon. A further description of such services and the layout of an embodiment of a web page are shown in Appendix V.

Figure 4 illustrates an embodiment of a method or algorithm for the medical care provider to register or update a patient into system 10 and generate an appropriate contract using the Internet or other electronic network. Referring now to Figures 1, 2a, 2b and 4, utilizing an internet access device 18 (e.g. a computer terminal, PDA, etc) and web-browser 17, the care provider representative or pr (e.g. the patient manager) can access login page 200 and either directly login 210 into master module 12m or access account setup page 300 and perform a new account set up/sign up operation 310 by accessing the new account sign up module. Opening a new account on the system can involve entering various information such as physician taxpayer code, license #, address, and the like etc. Once signed up the pr can then login into module 12.

Once the pr has logged in or signed up, the pr can then access a patient or account manager page 300m to either add a patient 410 by accessing a patient registration page 400 or view a patient record 510 by going to the contract summary page 500 and accessing the contract module. The contract module 12c can then utilize contract matrix logic 12ml to perform a contract selection operation 610 to select and/or complete all or a portion of the appropriate contract 600 which can include a patent license or use contract.

In an embodiment, contract module 12c, based on input signaled from the pr, patient or other user, can be configured to use the contract matrix 15' to select the appropriate contract to process. An example of a patient registration page is shown in Appendix V. This page can be configured to be accessed either by the pr, the patient or other user. The page can include one or more fields to allow the patient to enter information for purposes of registration, and determination of one or more of medical history, urgency of condition (e.g. for triage), insurance coverage and the like.

5 The contract module 12c or other module 12 can also be configured to perform an electronic notification step 520 to notify the SC of the contract selection event. Also the contract module can be configured to perform a contract printing 710 or electronic generation step 710e as well as a faxing or communication step 810 to fax or otherwise electronically send a copy of the completed contract 600' to the SC. This can also be accomplished by making an electronic copy or digital image of the completed contract and sending it to the SC via email as an attached file. Once the contract is received by the SC, it can then be stored in the SC database 15 via an uploading step 820 which can include electronic scanning of the contract into an electronic file. Each step can have its own web page (with an associated URL) or alternatively, two or more steps can share a page or otherwise be linked to a common page. The web pages can be programmed using HTML, SGML or embedded JAVA based programming and the like and can include one or more hyperlinks to other pages and documents. Each page can include markups or links for forms (e.g. contracts) that can allow the user to fill out information and electronically send, or e-mail, the form to the SC or other party. Also the order of these steps is exemplary and other orders are equally applicable.

20 Figure 5 illustrates an embodiment of a method or process for the SC or SC's representative to perform one or more registration or reimbursement related procedures over the Internet or other electronic or communications network. Such procedures include but are not limited to registering new patients, physicians, medical facilities and payers, as well as checking on the reimbursement status from the payer. Referring now to Figures 1 and 5, in an embodiment of a method for performing one or more of these operations, after logging into an administrative website 955 and performing one or more file management/access steps 958, one or more web pages 960, such as a reimbursement checklist page 960' can be configured to allow the user to perform a patient reconciliation step 910, a surgeon registration step 920, a facility registration step 930, a payer registration step 940, and a reimbursement status check step 950. This order is but one configuration for this process and other orders are equally suitable, for example the surgeon registration step could

be performed first or concurrently with one or more other steps. Also, each step can have its own web page or alternatively two or more steps can share a page or otherwise be linked to a common page. This can be accomplished by having separate fields for each step or nested or tiled fields using windowing/graphics routines known in the art. The order of these steps is exemplary and other orders are equally suitable.

Referring now to Figure 6, in various embodiments of system 10 including those implemented over the Internet, one or more modules 12 can be configured to generate and/or display web pages 960 can include one or more fields 970 for entering and viewing information including, but not limited to, that for registering new patients, new physicians or facilities as well as other steps or operations described in the embodiment of Figures 4 and 5. Fields 970 can be configured to be accessed by one or more of the following: medical practitioners, medical practitioner representatives, SC representatives, facility representatives, or the patient. Also fields 970 can be configured to be accessed by standard input/output devices 975 known in the art including without limitation computers, keyboards, keypads, electronic/optical pointing devices (e.g., a mouse) and the like. Fields 970 can also be configured to be accessed via other I/O devices 975' such as touch screens, touch pads, PDA screens, voice recognition devices and the like and combinations thereof. Also in various embodiments, one or more fields 970 can be linked (via hyperlinks, html or other addressable web page programming) to other fields on the same or different web page. Also multiple fields 970 can be displayed on the same web page or window 960. The figure also shows the configuration of one or more links (e.g. hyper links) 980 between fields 970.

Referring now to Figure 7, in other embodiments, system 10, registration module 12reg or other module 12 can be configured to allow the physician's nurse, assistant or other practitioner to enroll and process a new patient. An embodiment of a method that can be used by the nurse/practitioner to enroll a new patient utilizing registration module 12reg or module of system 10 is shown in Figure 7 (also see Appendix VI). The procedure can include a patient interview step 1001 to gather medical, insurance, insurance preference,

financial and other data either via electronic communication or manual entry. Step 1001 can then be followed by a registration step 1002 and a registration confirmation step 1002' to confirm that the patient registration has been received can then be performed. Steps 1002 and 1002' can then be followed by
5 an inquiry step 1003 to determine the list of the patients preferred hospitals and a subsequent confirmation step 1003'. Steps 1003 and 1003' can be done manually or electronically by polling patient medical and insurance databases and records. These can be accessed by system 10 via a network or they can be stored in the system on electronic media. Steps 1003 and 1003' can then be
10 followed by a step 1004 for the RNC to obtain (electronically or manually) a list of credentialed surgeons from the patient preferred hospitals and a subsequent confirmation step 1004'. Then a signaling step 1005 can be performed for the list of surgeons from step 1004 to a representative of the SC, such as a business manager (BM) or medical director (MD). Signaling can include, without
15 limitation, emailing, phoning, telecommunication, fax communication, wireless communication, optical communication, RF communication and combinations thereof.

Signaling step 1005 can be done via email, network, RF means, phone, fax, optical means or other electromagnetic communication means known in the
20 art. Signaling step 1005 can then be followed by a step 1006 for the SC representative to contact and obtain commitment from a participating surgeon to care for the patient. Step 1006 can be done electronically using email and the like and can employ contract module 12c to obtain a contractual obligation for the surgeon to care for the patient. Step 1006 can then be followed by a step
25 1007 to signal the list of participating surgeons to the RNC, MD or other representative of the SC. Step 1007 can be followed by a step 1008 whereby the MD generates a list of recommended surgeons. Step 1008 can then be followed by a step 1009 whereby the MD signals the list of recommended surgeons to one or more parties including the RNC. Step 1009 can then be
30 followed by a step 1010 whereby the RNC signals the list of recommended surgeons to one or more parties including the patient and/or the BM. Step 1010 can then be followed by a step 1011 whereby the patient electronically selects a

surgeon utilizing system 10 and/or subsequently signals that selection to one or more parties including SC in a signaling step 1011'. After the patient's surgery, step 1011 and 1011' can be followed by a polling and/or inquiry step 1012 whereby a representative of the SC, such as the BM, polls or inquires (via electronic means) on the patient status from the selected surgeon, surgeons representative, surgeons computer or database and/or the patient. Step 1012 can be followed by a step 1013 whereby the BM or other SC representative signals (e.g. vial email) the patient status to RNC, MD or other SC representative. Step 1013 can then be followed by another patient inquiry step 1014 by the RNC or other representative and the patient status can be signaled to the BM or MD in a step 1015. The order of these steps is exemplary and other orders are equally applicable. Also one or more steps can be done using embodiments of system 10 configured for the Internet, World Wide Web or other computer or communications network known in the art or using a combination of computer and telecommunication means such as phone, voicemail and FAX. These and related patient processing procedures be done before, during, or after gathering and processing clinical information about the patient. Also to facilitate registration, system 10, module 12reg or other module 12 can be linked to a patient registration checklist, an example checklist being shown in Appendix VI.

Other embodiments of the invention can include methods, systems and apparatus by which the SC can serve as an Internet service provider for surgeons and their patients. In these and related embodiments, the SC functions as a medical services company that is dedicated to the private "fee for service" surgeon. In these embodiments the central corporate mission of the SC is to service the needs of the private surgeon with a full service reimbursement system that also generates new patient referrals. The SC's referral and reimbursement systems and methods can be configured to provide the ability to allow expansion of the physician's practice with new Internet referred patients and with patients that are referred within their own established network of referring physicians (see Appendix VIII 'out of network rules') that also raises their average per procedure reimbursement. These embodiments can include

web pages configured for access and viewing by either the patient, the surgeon or both. Examples of web pages for the patient or for the surgeon are shown in Appendix VII. This appendix shows possible components of the websites including descriptive text, related links such as health care websites, fields/buttons to generate email and website diagrams which can illustrate medical procedures as well as one or more steps of the delivery of care to the patient. These components are exemplary and other embodiments can include a portion of these components as well as other web page components known in the art. In these and related embodiments system 10 can include referral, registration and reimbursement modules 12rf, 12reg and 12r. Also system 10 can include standard ISP protocols, and hardware (e.g. servers, T2, T3, DSL lines, Integrated Services Digital Networks and the like) to facility Internet communication between one or more surgeons and patients.

Related embodiments of systems and methods of the invention can be configured to provide for the development, education and/or practice of advanced surgical procedures through a Method Based Care system. The procedures that enhance patient outcomes can be highlighted in website descriptions that are displayed or otherwise configured to attract new patient referrals. A further description of such services and the layout of possible patient web pages are shown in Appendix VII. The websites can include information and/ or links targeted to particular patient populations such as diabetics, oncology patients, patients desiring plastic surgery or patients requiring reconstructive surgery.

Embodiments of systems or methods of the invention can be configured to allow or facilitate insurance companies entering into an agreement shown in Appendix I for reimbursement of care to the patient or care provider prior to the delivery of care. They can be required to fulfill this agreement per the covenants of good faith under the appropriate state or other statutes for example, California Insurance Code § 790.03(h). Should the insurance company fail to make a good faith settlement or otherwise engage in unfair claims practices, the medical practitioner or patient can recover damages under the provisions of Code § 790.03(h) or other relevant or analogous state or

federal code. The medical practitioner or patient can have the right to sue the insurance carrier under the appropriate state civil code or other statute, for example, California Civil Code provisions '2870 and 2871. In an embodiment, either the patient or the physician can have the option of assigning (for financial
5 or other consideration) all or a portion of potential damages (actual, potential or consequential) for bad faith acts under the appropriate state or local code, for example, California Civil Code § 790.03(h) (or other state insurance or civil code) to a third party who may then bring suit against the insurance carrier or related party under the appropriate state or local code, for example, California
10 Civil Code § 790.03(h) or other statute.

In yet another embodiment, the invention relates to a system 10 or network for preparing and processing health care data transactions such as medical insurance claims. In still yet another embodiment, the invention involves a computer system, and methods involving the same, applied to the
15 financial fields of insurance and benefit funding. Specific embodiments can be configured to utilize automated and semi-automated aspects of an Indenture Agreement used to structure a pre-funding program for an employee benefit program. Embodiments of the invention further contemplate computer-assisted analysis and projection of the after-tax cash flow and the balance sheet and
20 income statement consequences of the funding program, in connection with an illustration generated by the system.

Conclusion

It will be appreciated the applicants have provided novel systems and methods for providing a variety of services to the medical practitioner using computational and communication means described herein. Such services can include without limitation financial, business, legal and medical services. The systems and methods of the invention are adaptable for use with a variety of network, computer and telecommunication based systems. The foregoing description of various embodiments of the invention has been presented for purposes of illustration and description. It is not intended to limit the invention to the precise forms disclosed. Many modifications, variations and different combinations of embodiments will be apparent to practitioners skilled in the art. Further, elements from one embodiment can be readily recombined with one or more elements from other embodiments. Also, elements or acts from one embodiment can be readily substituted with elements or acts of another embodiment.

It is intended that the scope of the invention be defined by the following claims and their equivalents.

Appendices

5 Various embodiments of the invention will now be further illustrated with reference to the following appendices. However, it will be appreciated that these appendices are presented for purposes of illustration and the invention is not to be limited to the information or the details therein. For example, the use of California and California statutes in one or more of the contracts in the appendices is exemplary and other states and statutes (e.g., state, local or Federal) are equally applicable.

Appendix I: The Patient Care Contract

PRE-AUTHORIZATION AND PAYMENT AGREEMENT (NO. 1)

5

This Pre-Authorization and Payment Agreement (No. 1) (the "Agreement") is entered into as of this _____ day of 200__, by and between _____ [Insurance Company], a _____ [Corporation] ("Payor"), _____, an individual person ("Patient"), _____, M.D., a physician and surgeon duly licensed to practice medicine in the State of _____, ("Surgeon"), and SC Financial Services [Inc.], a California [Corporation] ("SC"), with reference to the following facts:

15

A. Patient and Payor desire that Patient be treated by a qualified surgeon of his or her choice.

B. Patient desires to choose Surgeon who may not be a contracting provider of Payor.

20

C. Payor desires to assist Patient to be seen by Surgeon by agreeing to pay Surgeon based upon the "in network" percentage of the allowed amount paid to contracting providers of Payor.

25

D. Patient desires to establish prior to the performance of the surgical procedure by Surgeon, the co-payment amount he or she will be required to pay for the procedure.

E. Prior to performing the surgical procedure, Surgeon desires to confirm that the procedure has been authorized by Payor, and to establish the amount Payor will pay Surgeon for the authorized procedure.

5 F. Prior to the performance of the surgical procedure, Payor desires to establish the maximum amount that it will be obligated to pay Surgeon for the procedure.

G. All of the parties desire to avoid any potential, post-surgery disputes with respect to the medical necessity for the surgical procedure, Patient's eligibility and
10 coverage for the procedure, the authorization to perform the procedure, the allowed amount for the procedure, Patient's financial responsibility for the procedure, and the amount to be paid to Surgeon for the procedure.

NOW, THEREFORE, in consideration of the mutual covenants and conditions
15 set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

20 1. Payor's Commitments.

(a)Pre-Authorization. Payor authorizes Surgeon to perform the surgical procedure(s), and agrees to pay Surgeon based upon the allowed amounts set forth in the Authorization Form attached hereto and designated as Exhibit "A."

25 (b)Surgeon's Fee. Subject only to the adjustment described in Section 1(e), below, Payor agrees that it shall pay Surgeon _____ percent (____%) of the allowed amounts set forth in Exhibit "A" for the surgical procedure(s) set forth in Exhibit "A" (the "Surgeon's Fee"). Accordingly, Payor agrees that Patient shall be liable
30 for a copayment equal to _____ percent (____%) of the allowed amount for the surgical procedures described in Exhibit "A" (subject only to the adjustment

described in Section 1[e]). Payor and Surgeon agree that Patient shall not be liable to pay Surgeon for any deductible amount in connection with the surgical procedures authorized pursuant to Exhibit "A." Payor agrees that except as provided in Section 1(e), it shall have no right to reduce or not pay in full the Surgeon's Fee.

(c)Fees of Other Professionals. Payor agrees that it will pay the "in network," contracting physician fee to any other physicians (e.g., anesthesiology, radiology and pathology) who render pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in Exhibit "A."

(d)Timing of Payment. Payor agrees to pay the Surgeon's Fee directly to Surgeon within thirty (30) calendar days of receipt from SC of the operative report or other satisfactory proof that the surgical procedure(s) authorized in Exhibit "A" have been performed.

(e)Adjustment to Surgeon's Fee. As set forth in Section 3, SC agrees that it shall review the operative report prepared by Surgeon. If SC determines that a less complex surgical procedure was actually performed than was pre-authorized by Payor pursuant to Exhibit "A," the claim for payment that SC submits to Payor on behalf of Surgeon shall not include, and Payor shall not be required to pay for, the surgical codes which have been deleted. In that event, the Surgeon's Fee shall be adjusted downward to reflect the deleted codes. SC and Surgeon agree that Payor shall not be required to pay Surgeon any additional amount for procedures not expressly pre-authorized pursuant to Exhibit "A," even if a more complex surgical procedure is required to be and is actually performed by Surgeon.

(f)No Retroactive Denial. Except as provided in Section 1(e), Payor agrees that it shall not have any right to reduce or deny payment of the Surgeon's Fee after the

surgical procedure has been performed. By executing this Agreement and Exhibit “A,” Payor irrevocably waives the right to later claim that at the time the authorized surgical procedure was performed, Patient was not insured by or otherwise eligible for health insurance benefits from Payor.

5

(g) Facility Fee. If the hospital or ambulatory surgery center (“ASC”) where the surgical procedure(s) set forth in the Authorization Form is to be performed is a contracting, participating provider with Payor, Payor agrees that it (i) will pay the “in network,” participating provider fee to the hospital or ASC; and (ii) take
10 whatever steps are necessary to ensure that the hospital or ASC treats Patient as being “in network” and charges Patient no more than the “in network” deductible and copayment amounts with respect to facility fees. If the hospital or ASC where the surgical procedure(s) is to be performed is not or is deemed to not be, a contracting, participating provider with Payor, Payor acknowledges that pursuant
15 to the Preferred Provider Agreement between SC and the hospital or ASC, the hospital or ASC has agreed to (i) treat Patient as “in-network” and charge Patient no more than the “in-network” deductible and copayment amounts with respect to such facility fees; (ii) accept as payment in full from Payor an amount based upon Payor’s “out-of-network” rates; and (iii) not attempt to bill or collect from Payor
20 more than Payor’s “out-of-network” rates. Payor further acknowledges and agrees that Payor does not object to and shall take no adverse action against Patient as a result of patient paying only an “in-network” deductible or copayment amount to an “out-of-network” hospital or ASC. Payor agrees to indemnify and hold Patient harmless from any and all fees, payments, expenses, claims, liabilities, costs or
25 charges of whatever kind or nature, resulting or arising from, related to or caused by Payor’s breach of this Section 1(g).

30

2. Patient’s Commitments.

(a) Appointment of SC. Patient hereby authorizes and directs SC to act as his or her agent and attorney-in-fact with respect to the subject matter of this Agreement; provided, Patient agrees that SC shall not be liable for, and shall be released from, any lawsuits, damages, expenses, claims or liabilities of any kind or nature, in connection with, arising out of or in anyway related to SC's acts or failures to act on behalf of Patient; provided, that the foregoing release shall not apply to any conduct by SC that constitutes a criminal act or gross negligence. Patient acknowledges that SC is also acting as the agent and attorney-in-fact for Surgeon in connection with this Agreement. Patient hereby consents to such dual representation and waives any actual or potential conflict of interest that may result therefrom.

(b) Copayment Responsibility.

(i) Professional Fee. Patient agrees that he or she shall be responsible to pay an amount equal to _____ (____%) of the allowed amount for the procedure(s) approved by Payor and SC pursuant to Section 1 (the "Copayment"). Patient shall pay the Copayment to SC for its services pursuant to this Agreement. Patient agrees that he or she shall not have the right to claim that Payor is required to pay Surgeon a greater portion or percentage of the allowed amount for the surgical procedure(s) authorized pursuant to Exhibit "A." Patient agrees that he or she shall pay or arrange for the payment of the Copayment to SC prior to the performance of the surgical procedure. Such payment shall be made either by cash, check or credit card. In the event that the Surgeon's Fee is subsequently reduced because surgical codes have been deleted by SC pursuant to Section 1(e), SC shall promptly refund to Patient the portion of the Copayment amount paid by Patient with respect to such deleted codes.

(ii) Facility Fee. Patient agrees that he or she shall be responsible to pay directly to the hospital or ASC the deductible and/or copayment amount with respect to and based upon, the hospital's or ASC's "in network" facility fee.

5 (c) Release of Medical Information. Notwithstanding the appropriate state Civil Code or any other applicable state or federal law, Patient hereby authorizes Surgeon to furnish and disclose to SC and to Payor, and authorizes SC to furnish and disclose to Payor and Surgeon, Patient's medical records and information in connection with the surgical procedures(s) authorized pursuant to Exhibit "A."

10 Patient hereby agrees that SC, Payor and Surgeon shall not be liable for, and shall be released from, any lawsuit, damages, expenses, claims or liabilities of any kind or nature, in connection with, arising out of or in any way related to their use or disclosure of the foregoing medical information between and among any of them.

15 3. SC's Commitments.

20 (a) Case Management. SC agrees that it shall be responsible for interfacing with Surgeon and Payor including, but not limited to, communicating with Surgeon and Payor in order to prepare Exhibit "A," reviewing the operative report, and determining (pursuant to Section 1[e]) whether certain pre-authorized surgical procedures should be deleted and not charged to Payor.

25 (b) Claims Submission. Based upon SC's review of the operative report and the pre-authorization and allowed amounts set forth in Exhibit "A," SC shall submit Surgeon's claim for payment to Payor; provided, that Payor shall pay Surgeon directly and concurrently provide SC with notice of payment. SC agrees that Payor shall not be required to pay SC any amount for SC's services pursuant to this

30 Agreement. Payor's only payment obligation with respect to Surgeon's services

shall be to pay the Surgeon's Fee (and the separate anesthesia and other professional fees, and hospital or ambulatory surgery center facility charges).

5 (c)[Can be used when a patented or patent pending surgical procedure(s) is
to be performed] Payor and Surgeon acknowledge that there are patents on the
surgical procedures described in Exhibit "B," and that the patent holder has granted
a license to SC with respect to such surgical procedures. The surgical procedure(s)
described in Exhibit "A" include one or more of the patented procedures described
in Exhibit "B." Payor and Surgeon acknowledge and agree that unless they are
10 sub-licensed by SC to do so, Surgeon may not perform the patented procedures and
Payor may not authorize, direct or pay Surgeon for the performance of the patented
procedures. Accordingly, SC hereby grants a one-time, non- exclusive, non-
transferable, revocable license to (i) Surgeon to perform the patented surgical
procedure(s) and (ii) Payor to pay Surgeon (pursuant to Section 1 hereof) for the
15 performance of the patented surgical procedure(s). Except as expressly authorized
above, any use or payment for or performance of the patented surgical procedure(s)
is prohibited.

20 (d)Facility Fees. SC hereby represents and warrants that if the hospital or ASC
where the surgical procedure(s) set forth in the Authorization Form is to be
performed is not or is deemed to not be, a contracting, participating provider of
Payor, SC shall enter a Preferred Provider Agreement with the hospital or ASC
pursuant to which the hospital or ASC will agree to not attempt to bill or collect
from Payor an amount greater than the "out-of-network" rates (less applicable
25 copayments and deductibles) for such surgical procedure(s).

4. Surgeon's Commitments.

(a) Surgeon's Fee. Surgeon agrees to accept as payment in full the Surgeon's Fee, calculated in accordance with the terms of this Agreement.

5 (b) No Balance Billing. With respect to the surgical procedures set forth in Exhibit "A", Surgeon agrees to not attempt to bill or collect from Patient or Payor any payment, copayment, surcharge, compensation or fee other than the Surgeon's Fee.

10 (c) Reduction of Surgeon's Fee. Surgeon agrees that the Surgeon's Fee shall be subject to downward adjustment by SC for deleted codes pursuant to Section 1(e) of this Agreement. Surgeon agrees that SC shall have the right to determine, in its sole and absolute discretion, whether to make a downward adjustment. Surgeon hereby agrees to irrevocably waive any rights it might otherwise have under law or equity to challenge or dispute any such downward adjustment by SC. Surgeon
15 further agrees that he or she shall have no right to any additional payment amount for procedures not expressly authorized pursuant to Exhibit "A" even if a more complex surgical procedure is required to be and is actually preformed by Surgeon.

(d) Attorney-In-Fact. Surgeon hereby appoints SC to act as its agent and attorney-
20 in-fact in order to carry out the terms of this Agreement. Surgeon agrees that SC shall not be liable for, and shall be released from, any lawsuits, damages, expenses, claims or liabilities of any kind or nature, in connection with, arising out of or in any way related to SC's acts or failures to act on behalf of Surgeon; provided that the foregoing release shall not apply to any conduct by SC that constitutes a
25 criminal act or gross negligence. Surgeon acknowledges that SC is also acting as the agent and attorney-in-fact for Patient in connection with this Agreement. Surgeon hereby consents to such dual representation and waives any actual or potential conflict of interest that may result therefrom.

(e) Representations and Warranties. Surgeon represents and warrants that he or she (i) maintains a valid and unrestricted license to practice medicine in the State of _____; (ii) as a result of training, education and experience, is competent to perform the surgical procedure(s) set forth in Exhibit "A;" (iii) maintains professional liability (malpractice) insurance in the minimum amounts of \$1,000,000 per occurrence and \$3,000,000 in the aggregate for the policy year; (iv) has never had his or her license to practice medicine, DEA registration certificate and number, medical staff privileges at any hospital or ambulatory surgery center, or provider agreement or status with the Medicare or Medicaid programs restricted, suspended, revoked, terminated or not renewed; (v) is an active member in good standing of the medical staff of the hospital or ambulatory surgery center where the surgical procedure(s) set forth in Exhibit "A" are to be performed, and has been granted the clinical privileges at such facility necessary to perform such surgical procedure(s); (vi) has a current federal DEA registration certificate and number; (vii) is certified by the appropriate American Board of Medical Specialties or by training and experience has the skills necessary to perform the surgical procedures authorized pursuant to Exhibit "A", and (viii) has accurately and fully completed the Credential Information Form provided by SC to Surgeon.

(f) Operative Report. Surgeon shall complete the operative report and provide it to SC within seven (7) business days of performing the surgical procedure(s) authorized in Exhibit "A."

(g) Performance of Surgery. Except in the event Surgeon determines that it would be medically inappropriate to do so, Surgeon shall perform the surgical procedure(s) authorized in Exhibit "A" at the time and date agreed upon by the Patient and SC.

(h)Other Physicians. Surgeon agrees that any other physicians (e.g. anesthesiologists, radiologists or pathologists) he or she utilizes for pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in Exhibit "A" shall meet the requirements set forth in Section 4(e) of this Agreement.

5 Surgeon acknowledges and agrees, and shall so notify any such other physicians, that neither SC nor Patient has any payment or other financial obligation to them.

(i) Medical Records. Surgeon shall maintain with respect to Patient a single standard medical record in such form, containing such information, and preserved for such time period(s) as are required by applicable state and federal law. In addition to the requirements set forth in Section 4(f) of this Agreement, to the extent permitted by law, in accordance with procedures required by law, and upon receipt of three (3) business days' prior written notice by SC, Surgeon shall permit a representative of SC to inspect and make copies of said records, and shall promptly provide copies of such records to SC upon request.

5. Term and Termination.

20 (a)Term. The parties hereto agree that the term of this Agreement shall commence as of the date first set forth above and shall continue until the pre-authorized surgical procedure(s) has been performed and Surgeon and SC have been paid as provided in this Agreement.

25 (b)Termination. This Agreement may be terminated only for a material breach. In the event a party contends that another party has breached the Agreement, the complaining party shall give written notice to the other parties specifying the nature of the alleged breach. In that event, the allegedly breaching party shall have ten (10) days to cure the alleged breach. If the breach is not cured in such 10-day period, the Agreement shall terminate unless the complaining party extends the time to

cure or waives the alleged breach. A termination of the Agreement for non-payment of the Surgeon's Fee or the Copayment shall not be construed as a waiver of the Surgeon's or SC's right to payment in full in accordance with the terms of this Agreement.

5

6. Independent Contractor Relationship; Practice of Medicine.

10 The parties hereto, and each of their shareholders, members, officers, directors, partners, employees and other agents, are at all times independent contractors with respect to the other parties hereto. Nothing in this Agreement shall be construed to make or render any party or any of its shareholders, members, directors, officers, partners, employees or other agents an employee, agent, partner or joint venturer of or with the other party, except as expressly provided in Section 2(a) of this Agreement. Surgeon, Payor and Patient acknowledge and agree that (a) Surgeon shall be the only party who makes any decisions regarding the care and treatment of the Patient, (b) SC does not practice medicine; (c) SC shall not make or be responsible for any decisions regarding the care and treatment of Patient.

15

20

7. Disputes.

25

(a) Mediation. In the event of a dispute under this Agreement, the Parties hereto shall first attempt to resolve the matter by devoting not more than eight (8) hours to non-binding mediation before a neutral mediator to be agreed upon by the disputing parties. The mediation shall be held in the County of Contra Costa, California. The parties agree to select and meet with the mediator within thirty (30) days of a demand for mediation by any party under this Section 7(a). If the parties are unable to resolve their dispute through mediation, they shall have the right to demand arbitration pursuant to Section 7(b) of this Agreement.

30

(b) Arbitration. Except as may be otherwise provided in Section 8(i) of this Agreement, any controversy or claim arising out of or relating to this Agreement, including the formation, performance, termination or any breach hereof, shall be settled by binding arbitration in accordance with the rules for commercial disputes of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Discovery shall be available in such arbitration to the full extent provided for by the appropriate state Code of Civil Procedure with respect to matters litigated in California courts. Such arbitration shall occur within the County of Contra Costa, State of California, unless the parties mutually agree to have such proceeding in some other locale. The arbitrator shall make written findings of fact and law and shall have no authority to make any conclusions of law or award that could not be made by a court of law. In any such arbitration, the arbitrator may award attorneys' fees and costs to the prevailing party or in such proportions as the arbitrator may allow. Notwithstanding anything to the contrary in this Agreement, the parties hereto agree that neither Patient nor Surgeon shall be required to submit to arbitration any claims for alleged "medical malpractice" as that term is defined in the appropriate state code of civil procedure, for example, California Code of Civil Procedure Section 1295.

8. General Provisions.

(a) Notices. Any notices required or permitted to be given hereunder by a party to any other party shall be in writing and may be given by personal delivery, by facsimile or by registered or certified mail, postage prepaid, return-receipt-requested. Notices shall be addressed or sent by facsimile to the parties at the addresses and facsimile numbers which follow:

SC: _____
SC Address _____
Attn: _____

Attorney Docket # 1000-008, E. W. Knowlton

Facsimile No. _____

PAYOR: _____

Attn: _____

Facsimile No. _____

PATIENT: _____

Facsimile No. _____

SURGEON: _____

Facsimile No. _____

Any party may change its address or facsimile number for notice by notice given in accordance with this Section. Notices delivered personally or by facsimile will be deemed communicated as of actual receipt; mailed notices will be deemed communicated on the third (3rd) day after proper mailing.

(b) Entire Agreement of the Parties. This Agreement supersedes any and all agreements, either written or oral, between the parties hereto with respect to the subject matter of this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any other party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing signed by the party to be charged.

(c) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force and effect, unless such invalidity would defeat an essential business purpose of this Agreement.

5

(d) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California.

10 (e) Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns. No party may assign this Agreement nor any of its rights or obligations hereunder, without the prior written consent of the non-assigning party. Any assignment or delegation in contravention of this provision shall be null and void.

15

(f) Attorney's Fees. Should any party to this Agreement institute any arbitration or other action or proceeding, to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the arbitrator or court may award
20 the prevailing party in any such arbitration, action or proceeding its costs and expenses, including without limitation reasonable attorney's fees, incurred by the prevailing party in such arbitration, action or proceeding.

(g) Amendment. This Agreement may not be amended, supplemented, modified
25 or restated except by a writing signed by all of the parties hereto.

(h) Third Party Beneficiaries. Except for Payor, Patient, SC and Surgeon and their respective successors or assigns, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any person, firm,

corporation or entity, any remedy or claim under or by reason of this Agreement or any term, covenant or condition hereof, as third party beneficiaries or otherwise, and all of the terms, covenants and conditions hereof shall be for the sole and exclusive benefit of Payor, Patient, SC and Surgeon and their successors and assigns.

5

(i) Proprietary Information.

5 (i) Except as provided in Section 2(c) of this Agreement, at all times during and after the term of this Agreement, Payor and Surgeon shall maintain the confidentiality of all information regarding SC and Patient including, but not limited to, this Agreement, SC's idea and concept for assisting patients to be treated by the physician of their choice without incurring a financial penalty in the form of higher copayments and deductibles, (the "Idea") and the Patient's name, address, and telephone number and medical records, and shall not disclose such
10 information to any person not a party to this Agreement other than to a party's legal counsel or accountant. Payor and Surgeon acknowledge and agree that such information with respect to SC constitutes confidential and proprietary information and a trade secret within the meaning of the Uniform Trade Secrets Act (the "Act") contained in California Civil Code Sections 3426 et seq; and that such information
15 with respect to Patient constitutes confidential medical record information within the meaning of Civil Code Section 56 et seq. At all times during and after the term of this Agreement, unless it is necessary to do so in order for Payor and Surgeon to be able to carry out the terms of this Agreement or is otherwise permitted pursuant to Section 2(c) of this Agreement, Payor and Surgeon shall not disclose,
20 reveal, divulge, distribute or make known or use or exploit any confidential or propriety information regarding Patient or SC for their own benefit or gain.

25 (ii) Payor and Surgeon agree that the Idea, this Agreement and SC's related confidential and proprietary information to be disclosed to Payor and Surgeon constitute items of substantial value to SC and any unauthorized use or disclosure thereof in breach or violation of the covenants contained herein will result in substantial damages to SC, which damages SC may seek to redress through the commencement of legal proceedings against Payor and Surgeon. In addition to the
30 covenants contained herein and any other remedies available at law or in equity, SC

shall receive all of the protections and be afforded all of the remedies available under the Act. Further, Payor and Surgeon agree that the covenants and restrictions set forth herein: (i) are necessary, fundamental and required for the protection of SC's Idea and related confidential and proprietary information, and (ii) relate to matters which may be of an extraordinary character that give such covenants a special, unique value. A material breach of any of these covenants may result in irreparable harm and damage which cannot be adequately compensated by a monetary award. Accordingly and notwithstanding Section 7(a) and 7(b) of this Agreement, in addition to all other remedies available at law or in equity, SC shall be entitled to the immediate remedy of a temporary restraining order, preliminary injunction or such other form of temporary or permanent injunctive or equitable relief as may be issued by a court of competent jurisdiction to restrain or enjoin a breach of all or any portion of the covenants contained herein or to specifically enforce the provisions hereof, without proof of actual damage.

(iii) The provisions of this Section 8(i) shall survive the termination or expiration of this Agreement.

(j) Headings. The subject headings of the Sections of this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

(k) Interpretation. No party to this Agreement shall be deemed the drafter of this Agreement. If this Agreement is ever interpreted or construed by a court of law or arbitrator, such court or arbitrator shall not construe this Agreement or any provision hereof against any party as drafter.

(l) Counterparts. This Agreement may be executed in multiple counterparts, each of which should be deemed to be an original and all of which taken together shall

constitute a single instrument. A facsimile or electronic signature shall be deemed an original signature for all purposes.

- 5 (m) Time of the Essence. The parties acknowledge and agree that time is of the essence in the performance of their respective duties and obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as
of the date and year first written above.

5

“PAYOR”

“SC”

By: _____

By: _____

10

Print Name

Print Name

Title

Title

15

20

“Patient”

“Surgeon”

By: _____

By: _____

25

Print Name

Print Name

30

EXHIBIT "A"

SC

Authorization Form

1. Patient Name:

2. Policy number:

3. Procedure:

4. Authorized Codes and Allowed Amounts

Code	Description	Amount

5. Total allowed amount: \$

6. Payor shall pay the Surgeon the following amount: \$

7. Patient shall pay SC the following copayment amount: \$

8. Payments to other physicians and to the hospital or ambulatory surgery center shall be as set forth in Sections 1(c), 1(g) and 2(b) of this Agreement.
9. Nothing in this Authorization Form shall relieve Patient of his or her responsibility to pay the applicable copayment amount(s) to any other physicians (e.g., assistant surgeon, anesthesiologist, radiologist, and pathologist) who renders pre-, intra-, or post-operative services in connection with the surgical procedure(s) set forth above.

EXHIBIT "B"

5 **[Can be used if patented surgical procedure(s) to be performed]**

- 10 1. Knowlton, E.W. U.S. Patent No. 5,301,692, April 12, 1994. Method
 for Total Immediate Post-Mastectomy Breast Reconstruction Using a
 Latissimus Dorsi Myocutaneous Flap.
2. Knowlton, E.W. U.S. Patent No. 5,765,567, June 16, 1998. Surgical
 Method for Breast Reconstruction Using a Tissue Flap.
- 15 3. Knowlton, E.W. U.S. Patent No. 5,824,076, Oct 20, 1998. Surgical
 Method for Breast Reconstruction Using a Neovascular Tissue Peg.

20

Appendix II: Service Agreement with Surgeons

PRE-AUTHORIZATION AND PAYMENT AGREEMENT (NO. 2)

5

This Pre-Authorization and Payment Agreement (No. 2) (the "Agreement") is entered into as of this _____ day of 200__, by and between _____, an individual person ("Patient"), _____, M.D., a physician and surgeon duly licensed to practice medicine in the State of _____, ("Surgeon"), and SC Financial Services [Inc.], a California [Corporation] ("SC"), with reference to the following facts:

10

A. Patient and the party responsible for paying for the Patient's medical needs (e.g., insurance carriers, self-insured employers, pre-paid plans and third party administrators ["Payor's"]) desire that Patient be treated by a qualified surgeon of his or her choice.

15

B. Patient desires to choose Surgeon who may not be a contracting provider of Payor.

20

C. Payor, who desires to assist Patient to be seen by Surgeon, has by separate agreement, agreed to pay Surgeon based upon the "in network" percentage of the allowed amount paid to contracting providers of Payor.

25

D. Patient desires to establish prior to the performance of the surgical procedure by Surgeon, the co-payment amount he or she will be required to pay for the procedure.

E. Prior to performing the surgical procedure, Surgeon desires to confirm that the procedure has been authorized by Payor, and to establish the amount Payor will pay Surgeon for the authorized procedure.

5 F. Prior to the performance of the surgical procedure, Payor desires to establish the maximum amount that it will be obligated to pay Surgeon for the procedure.

10 G. All of the parties desire to avoid any potential, post-surgery disputes with respect to the medical necessity for the surgical procedure, Patient's eligibility and coverage for the procedure, the authorization to perform the procedure, the allowed amount for the procedure, Patient's financial responsibility for the procedure, and the amount to be paid to Surgeon for the procedure.

15 NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

20 1. Patient's Commitments.

(a) Appointment of SC. Patient hereby authorizes and directs SC to act as his or her agent and attorney-in-fact with respect to the subject matter of this Agreement; provided, Patient agrees that SC shall not be liable for, and shall be released from, any lawsuits, damages, expenses, claims or liabilities of any kind or nature, in connection with, arising out of or in anyway related to SC's acts or failures to act on behalf of Patient; provided, that the foregoing release shall not apply to any conduct by SC that constitutes a criminal act or gross negligence. Patient acknowledges that SC is also acting as the agent and attorney-in-fact for Surgeon in connection with this Agreement. Patient hereby consents to such dual

representation and waives any actual or potential conflict of interest that may result therefrom.

(b)Copayment Responsibility.

5

(i) Professional Fee. Patient agrees that he or she shall be responsible to pay an amount (the "Copayment") equal to _____ (____%) of the allowed amounts set forth in the Authorization Form attached hereto and designated in Exhibit "A" for the surgical procedure(s) approved by Payor and SC and set forth in Exhibit "A." Patient shall pay the Copayment to SC for its services pursuant to this Agreement. Patient agrees that he or she shall not have the right to claim that Payor is required to pay Surgeon a greater portion or percentage of the allowed amount for the surgical procedure(s) authorized pursuant to Exhibit "A." Patient agrees that he or she shall pay or arrange for the payment of the Copayment to SC prior to the performance of the surgical procedure. Such payment shall be made either by cash, check or credit card. In the event that the Surgeon's Fee is subsequently reduced because surgical codes have been deleted by SC pursuant to Section 3(c), SC shall promptly refund to Patient the portion of the Copayment amount paid by Patient with respect to such deleted codes.

15
20

(ii) Facility Fee. Patient agrees that he or she shall be responsible to pay directly to the hospital or ASC the deductible and/or copayment amount with respect to and based upon, the hospital's or ASC's "in network" facility fee.

25 (c)Release of Medical Information. Notwithstanding Section 56.10 of the California Civil Code or any other applicable state or federal law, Patient hereby authorizes Surgeon to furnish and disclose to SC and to Payor, and authorizes SC to furnish and disclose to Payor and Surgeon, Patient's medical records and information in connection with the surgical procedures(s) authorized pursuant to

Exhibit "A." Patient hereby agrees that SC, Payor and Surgeon shall not be liable for, and shall be released from, any lawsuit, damages, expenses, claims or liabilities of any kind or nature, in connection with, arising out of or in any way related to their use or disclosure of the foregoing medical information between and among any of them.

(d)Third Party Beneficiary. Patient agrees that Payor is expressly intended to and shall be a third party beneficiary of this Agreement.

2. SC's Commitments.

(a) Representations. SC represents and warrants that SC and the applicable Payor shall have entered into a General Terms and Conditions Agreement (Payor) and Authorization Form pursuant to which Payor shall have agreed (among other things) as follows: Payor shall have agreed:

(i) to authorize Surgeon to perform the surgical procedure(s) and to pay Surgeon based upon the allowed amounts set forth in the Authorization Form;

(ii) to pay the "in network", contracting physician fee to any other physicians (e.g., anesthesiology, radiology and pathology) who render pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in the Authorization Form;

(iii) to pay the "in network", participating provider fee to the hospital or ambulatory surgery center ("ASC") where the surgical procedure(s) set forth in the Authorization Form is performed;

(iv) to pay the Surgeon's Fee directly to Surgeon within thirty (30) calendar days of receipt from SC of the Surgeon's operative report;

5 (v)that Payor shall not have the right to reduce or deny payment of the Surgeon's Fee after the surgical procedure(s) has been performed; and

(vi) to resolve any disputes arising out of in connection with the General Terms and Conditions Agreement (Payor) and the Authorization Form pursuant to the procedures set forth in Section 6 of this Agreement

10

(b)Case Management. SC agrees that it shall be responsible for interfacing with Surgeon, Patient and Payor including, but not limited to, communicating with Surgeon, Patient and Payor in order to prepare Exhibit "A," reviewing the operative report, and determining (pursuant to Section 3[c]) whether certain pre-authorized surgical procedures should be deleted and not charged to Payor.

15

(c)Claims Submission. Based upon SC's review of the operative report and the pre-authorization and allowed amounts set forth in Exhibit "A," SC shall submit Surgeon's claim for payment to Payor; provided, that Surgeon agrees that Payor shall pay Surgeon directly and concurrently provide SC with notice of payment.

20

(d)[**Can be used when a patented or patent pending surgical procedure(s) is to be performed**] Surgeon acknowledges that there are patents on the surgical procedures described in Exhibit "B," and that the patent holder has granted a license to SC with respect to such surgical procedures. The surgical procedure(s) described in Exhibit "A" include one or more of the patented procedures described in Exhibit "B." Surgeon acknowledges and agrees that unless Surgeon is sub-licensed by SC to do so, Surgeon may not perform the patented procedures. Accordingly, SC hereby grants a one-time, non-transferable, non- exclusive,

25

30

revocable license to Surgeon to perform the patented surgical procedure(s). Except as expressly authorized above, any use or performance of the patented surgical procedure(s) is prohibited.

5 (e)Facility Fees. SC hereby represents and warrants that if the hospital or ASC where the surgical procedure(s) set forth in the Authorization Form is to be performed is not or is deemed to not be, a contracting, participating provider of Payor, SC shall enter a Preferred Provider Agreement with the hospital or ASC pursuant to which the hospital or ASC will agree to not attempt to bill or collect
10 from Payor an amount greater than the “out-of-network” rates (less applicable copayments and deductibles) for such surgical procedure(s).

3. Surgeon’s Commitments.

15

 (a)Surgeon’s Fee. Surgeon agrees to accept as payment in full the Surgeon’s Fee, calculated in accordance with the terms of this Agreement.

20 (b) No Balance Billing. With respect to the surgical procedures set forth in Exhibit “A”, Surgeon agrees to not attempt to bill or collect from Patient or Payor any payment, copayment, surcharge, compensation or fee other than the Surgeon’s Fee.

25 (c) Reduction of Surgeon’s Fee. Surgeon acknowledges and agrees that SC shall review the operative report to be prepared by Surgeon pursuant to Section 3(f) of this Agreement. Surgeon agrees that if SC determines that a less complex surgical procedure(s) was actually performed than was pre-authorized pursuant to Exhibit “A,” the Surgeon’s Fee shall be subject to downward adjustment by SC for deleted codes. Surgeon agrees that SC shall have the right to determine, in its sole and
30 absolute discretion, whether to make a downward adjustment. Surgeon hereby

agrees to irrevocably waive any rights it might otherwise have under law or equity to challenge or dispute any such downward adjustment by SC. Surgeon further agrees that he or she shall have no right to any additional payment amount for procedures not expressly authorized pursuant to Exhibit "A" even if a more
5 complex surgical procedure is required to be and is actually preformed by Surgeon.

(d)Attorney-In-Fact. Surgeon hereby appoints SC to act as its agent and attorney-in-fact in order to carry out the terms of this Agreement. Surgeon agrees that SC shall not be liable for, and shall be released from, any lawsuits, damages, expenses,
10 claims or liabilities of any kind or nature, in connection with, arising out of or in any way related to SC's acts or failures to act on behalf of Surgeon; provided that the foregoing release shall not apply to any conduct by SC that constitutes a criminal act or gross negligence. Surgeon acknowledges that SC is also acting as the agent and attorney-in-fact for Patient in connection with this Agreement.
15 Surgeon hereby consents to such dual representation and waives any actual or potential conflict of interest that may result therefrom.

(e)Representations and Warranties. Surgeon represents and warrants that he or she (i) maintains a valid and unrestricted license to practice medicine in the State
20 of _____; (ii) as a result of training, education and experience, is competent to perform the surgical procedure(s) set forth in Exhibit "A;" (iii) maintains professional liability (malpractice) insurance in the minimum amounts of \$1,000,000 per occurrence and \$3,000,000 in the aggregate for the policy year; (iv) has never had his or her license to practice medicine, DEA registration
25 certificate and number, medical staff privileges at any hospital or ambulatory surgery center, or provider agreement or status with the Medicare or Medicaid programs restricted, suspended, revoked, terminated or not renewed; (v) is an active member in good standing of the medical staff of the hospital or ambulatory surgery center where the surgical procedure(s) set forth in Exhibit "A" are to be

performed, and has been granted the clinical privileges at such facility necessary to perform such surgical procedure(s); (vi) has a current federal DEA registration certificate and number; (vii) is certified by the appropriate American Board of Medical Specialties or by training and experience has the skills necessary to perform the surgical procedures authorized pursuant to Exhibit "A"; and (viii) has accurately and fully completed the Credential Information Form provided by SC to Surgeon.

(f) Operative Report. Surgeon shall complete the operative report and provide it to SC within seven (7) days of performing the surgical procedure(s) authorized in Exhibit "A."

(g) Performance of Surgery. Except in the event Surgeon determines that it would be medically inappropriate to do so, Surgeon shall perform the surgical procedure(s) authorized in Exhibit "A" at the time and date agreed upon by the Patient and SC.

(h) Other Physicians. Surgeon agrees that any other physicians (e.g. anesthesiologists, radiologists or pathologists) he or she utilizes for pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in Exhibit "A" shall meet the requirements set forth in Section 3(e) of this Agreement. Surgeon acknowledges and agrees, and shall so notify any such other physicians, that neither SC nor Patient has any payment or other financial obligation to them.

(i) Medical Records. Surgeon shall maintain with respect to Patient a single standard medical record in such form, containing such information, and preserved for such time period(s) as are required by applicable state and federal law. In addition to the requirements set forth in Section 3(f) of this Agreement, to the extent permitted by law, in accordance with procedures required by law, and upon

receipt of three (3) business days' prior written notice by SC, Surgeon shall permit a representative of SC to inspect and make copies of said records, and shall promptly provide copies of such records to SC upon request.

5

4. Term and Termination.

10 (a)Term. The parties hereto agree that the term of this Agreement shall commence as of the date first set forth above and shall continue until the pre-authorized surgical procedure(s) has been performed and Surgeon and SC have been paid as provided in this Agreement.

15 (b)Termination. This Agreement may be terminated only for a material breach. In the event a party contends that another party has breached the Agreement, the complaining party shall give written notice to the other parties specifying the nature of the alleged breach. In that event, the allegedly breaching party shall have ten (10) days to cure the alleged breach. If the breach is not cured in such 10-day period, 20 the Agreement shall terminate unless the complaining party extends the time to cure or waives the alleged breach. A termination of the Agreement for non-payment of the Surgeon's Fee or the Copayment shall not be construed as a waiver of the Surgeon's or SC's right to payment in full in accordance with the terms of this Agreement.

25

5. Independent Contractor Relationship; Practice of Medicine.

30 The parties hereto, and each of their shareholders, members, officers, directors, partners, employees and other agents, are at all times independent contractors with respect to the other parties hereto. Nothing in this Agreement shall be construed to make or render any party or any of its shareholders, members, directors, officers, partners, employees or other agents an employee, agent, partner or joint venturer

of or with the other party, except as expressly provided in Section 1(a) of this Agreement. Surgeon and Patient acknowledge and agree that (a) Surgeon shall be the only party who makes any decisions regarding the care and treatment of the Patient, (b) SC does not practice medicine; and (c) SC shall not make or be responsible for any decisions regarding the care and treatment of Patient.

6. Disputes.

(a)Mediation. In the event of a dispute under this Agreement, the Parties hereto shall first attempt to resolve the matter by devoting not more than eight (8) hours to non-binding mediation before a neutral mediator to be agreed upon by the disputing parties. The mediation shall be held in the County of Contra Costa, California. The parties agree to select and meet with the mediator within thirty (30) days of a demand for mediation by any party under this Section 6(a). If the parties are unable to resolve their dispute through mediation, they shall have the right to demand arbitration pursuant to Section 6(b) of this Agreement.

(b)Arbitration. Except as may be otherwise provided in Section 7(i) of this Agreement, any controversy or claim arising out of or relating to this Agreement, including the formation, performance, termination or any breach hereof, shall be settled by binding arbitration in accordance with the rules for commercial disputes of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Discovery shall be available in such arbitration to the full extent provided for by the California Code of Civil Procedure with respect to matters litigated in California courts. Such arbitration shall occur within the County of Contra Costa, State of California, unless the parties mutually agree to have such proceeding in some other locale. The arbitrator shall make written findings of fact and law and shall have no authority to make any conclusions of law or award that could not be made by a

court of law. In any such arbitration, the arbitrator may award attorneys' fees and costs to the prevailing party or in such proportions as the arbitrator may allow. Notwithstanding anything to the contrary in this Agreement, the parties hereto agree that neither Patient nor Surgeon shall be required to submit to arbitration any claims for alleged "medical malpractice" as that term is defined in California Code of Civil Procedure Section 1295.

10 7. General Provisions.

15 (a) Notices. Any notices required or permitted to be given hereunder by a party to any other party shall be in writing and may be given by personal delivery, by facsimile or by registered or certified mail, postage prepaid, return-receipt-requested. Notices shall be addressed or sent by facsimile to the parties at the addresses and facsimile numbers which follow:

20 **SC:** _____
SC Address _____
Attn: _____
Facsimile No. _____

25 **PATIENT:** _____

Facsimile No. _____

30 **SURGEON:** _____

Facsimile No. _____

35 Any party may change its address or facsimile number for notice by notice given in accordance with this Section. Notices delivered personally or by facsimile will

be deemed communicated as of actual receipt; mailed notices will be deemed communicated on the third (3rd) day after proper mailing.

5 (b) Entire Agreement of the Parties. This Agreement supersedes any and all agreements, either written or oral, between the parties hereto with respect to the subject matter of this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any other party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not
10 contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing signed by the party to be charged.

15 (c) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force and effect, unless such invalidity would defeat an essential business purpose of this Agreement.

20 (d) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California.

25 (e) Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns. No party may assign this Agreement nor any of its rights or obligations hereunder, without the prior written consent of the non-assigning party. Any assignment or delegation in contravention of this provision shall be null and void.

(f) Attorney's Fees. Should any party to this Agreement institute any arbitration or other action or proceeding, to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the arbitrator or court may award the prevailing party in any such arbitration, action or proceeding its costs and expenses, including without limitation reasonable attorney's fees, incurred by the prevailing party in such arbitration, action or proceeding.

(g) Amendment. This Agreement may not be amended, supplemented, modified or restated except by a writing signed by all of the parties hereto.

(h) Third Party Beneficiaries. Except for Payor, Patient, SC and Surgeon and their respective successors or assigns, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any person, firm, corporation or entity, any remedy or claim under or by reason of this Agreement or any term, covenant or condition hereof, as third party beneficiaries or otherwise, and all of the terms, covenants and conditions hereof shall be for the sole and exclusive benefit of Payor, Patient, SC and Surgeon and their successors and assigns.

(i) Proprietary Information.

(i) Except as provided in Section 1(c) of this Agreement, at all times during and after the term of this Agreement, Surgeon shall maintain the confidentiality of all information regarding SC and Patient including, but not limited to, this Agreement, SC's idea and concept for assisting patients to be treated by the physician of their choice without incurring a financial penalty in the form of higher copayments and deductibles (the "Idea"), and the Patient's name, address, and telephone number and medical records, and shall not disclose such information to

any person not a party to this Agreement other than to a party's legal counsel or accountant. Surgeon acknowledges and agrees that such information with respect to SC constitutes confidential and proprietary information and a trade secret within the meaning of the Uniform Trade Secrets Act (the "Act") contained in California Civil Code Sections 3426 et seq; and that such information with respect to Patient constitutes confidential medical record information within the meaning of Civil Code Section 56 et seq. At all times during and after the term of this Agreement, unless it is necessary to do so in order for Surgeon to be able to carry out the terms of this Agreement or is otherwise permitted pursuant to Section 1(c) of this Agreement, Surgeon shall not disclose, reveal, divulge, distribute or make known or use or exploit any confidential or propriety information regarding Patient or SC for his or her own benefit or gain.

(ii) Surgeon agrees that the Idea, this Agreement and SC's related confidential and proprietary information to be disclosed Surgeon constitute items of substantial value to SC and any unauthorized use or disclosure thereof in breach or violation of the covenants contained herein will result in substantial damages to SC, which damages SC may seek to redress through the commencement of legal proceedings against Surgeon. In addition to the covenants contained herein and any other remedies available at law or in equity, SC shall receive all of the protections and be afforded all of the remedies available under the Act. Further, Surgeon agrees that the covenants and restrictions set forth herein: (i) are necessary, fundamental and required for the protection of SC's Idea and related confidential and proprietary information, and (ii) relate to matters which may be of an extraordinary character that give such covenants a special, unique value. A material breach of any of these covenants may result in irreparable harm and damage which cannot be adequately compensated by a monetary award. Accordingly and notwithstanding Section 6(a) and 6(b) of this Agreement, in addition to all other remedies available at law or in equity, SC shall be entitled to the immediate remedy of a temporary restraining

order, preliminary injunction or such other form of temporary or permanent injunctive or equitable relief as may be issued by a court of competent jurisdiction to restrain or enjoin a breach of all or any portion of the covenants contained herein or to specifically enforce the provisions hereof, without proof of actual damage.

5

(iii) The provisions of this Section 7(i) shall survive the termination or expiration of this Agreement.

10 (j) Headings. The subject headings of the Sections of this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

15 (k) Interpretation. No party to this Agreement shall be deemed the drafter of this Agreement. If this Agreement is ever interpreted or construed by a court of law or arbitrator, such court or arbitrator shall not construe this Agreement or any provision hereof against any party as drafter.

20 (l) Counterparts. This Agreement may be executed in multiple counterparts, each of which should be deemed to be an original and all of which taken together shall constitute a single instrument. A facsimile or electronic signature shall be deemed an original signature for all purposes.

25 (m) Time of the Essence. The parties acknowledge and agree that time is of the essence in the performance of their respective duties and obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of
the date and year first written above.

5

“SC”

“Patient”

By: _____

By: _____

10

Print Name

Print Name

Title

15

“Surgeon”

By: _____

20

Print Name

25

30

35

Exhibit "A"

SC

Authorization Form

1. Patient Name:

2. Policy number:

3. Procedure:

4. Authorized Codes and Allowed Amounts

Code	Description	Amount

5. Total all w d amount:

\$

**6. Surg on agre s to acc pt as payment in full th
foll wing amount:**

\$

**7. Patient shall pay SC the following copayment
amount:**

\$

**8. Payments to other physicians and to the hospital or ambulatory surgery
center shall be as set forth in Sections 1(b)(ii), 2(ii) and 2(iii) of this
Agreement.**

**9. Nothing in this Authorization Form shall relieve Patient of his or her
responsibility to pay the applicable copayment amount(s) to any other
physicians (e.g., assistant surgeon, anesthesiologist, radiologist, and
pathologist) who renders pre-, intra-, or post-operative services in
connection with the surgical procedure(s) set forth above.**

EXHIBIT "B"

[Can be used if patented surgical procedure(s) to be performed]

5

1. Knowlton, E.W. U.S. Patent No. 5,301,692, April 12, 1994. Method for Total Immediate Post-Mastectomy Breast Reconstruction Using a Latissimus Dorsi Myocutaneous Flap.

10

2. Knowlton, E.W. U.S. Patent No. 5,765,567, June 16, 1998. Surgical Method for Breast Reconstruction Using a Tissue Flap.

3. Knowlton, E.W. U.S. Patent No. 5,824,076, Oct 20, 1998. Surgical Method for Breast Reconstruction Using a Neovascular Tissue Peg.

15

Appendix III: Hospital PPO agreement

PREFERRED PROVIDER AGREEMENT

5

This Preferred Provider Agreement (the "Agreement") is entered into and shall be effective as of this _____ day of _____, 2000 (the "Effective Date"), by and between SC, Inc., a _____ corporation ("SC"), and Hospital, a [corporation] nonprofit public benefit corporation] (the "Hospital").

10

A. Certain patients who require surgery have a financial disincentive from obtaining such services from the physician of their choice because the physician is not a participating provider with the party responsible for paying for such health care services (e.g. insurance carriers, self-insured employers, pre-paid plans, and third party administrators ["Payers"]). That is, if the patient chooses to have the surgery performed by an "out-of-network" physician, the Payer will consider the hospital at which the surgery is performed to be out-of-network even if the hospital, in fact, is an "in-network," participating provider for the Payer. As a result, the patient will be required to pay significantly higher deductible and co-payment amounts than would be the case if the Payer considered the hospital to be in-network.

20

B. SC is in the business of assisting patients who want to be treated by the physician of their choice to be able to do so without being financially penalized in the form of higher hospital deductibles and co-payments.

25

C. Hospital desires to assist such patients ("Participating Patients") by agreeing to charge the patient based upon the Payer's in-network co-payment and deductible rates.

30

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Agreement to Charge Preferred Rates.

5

(a) Hospital agrees that the co-payment percentage and deductible amount (if any) that it will bill to and collect from Participating Patients for facility services in connection with surgical procedures, will be the same co-payment percentage and deductible amounts as the Hospital bills to and collects from its patients who are otherwise eligible for the Hospital's and Payer's in-network rates. All such billings and collections shall be based upon the amount allowed by the Payer. For example, assume that the total allowable Hospital charges with respect to a surgical procedure are \$5,000, that the in-network co-payment is twenty percent (20%) of the allowed amount, and that the in-network deductible is \$1,000, \$500 of which the patient has already met for the year. Assume further that the out-of-network deductible is \$2,000 and that the out-of-network co-payment is 40%. Pursuant to this Agreement, Hospital agrees that it will bill to and collect from a Participating Patient a deductible of \$500 (\$1,000 - \$500), plus a co-payment of \$900 (20% of the \$5,000 allowable amount minus the \$500 already paid toward the deductible), for a total of \$1,400 (\$500 + \$900). If the Participating Patient has already "met" the \$1,000 in-network deductible amount, then the Hospital will be limited to billing to and collecting from a Participating Patient \$1,000 (20% of \$5,000).

25

(b) Hospital agrees that it will bill Participating Patients for permitted co-payment and deductible amounts within thirty (30) days of the date Hospital renders services to the Participating Patient. Hospital agrees that it will send SC a copy of the bill it sends to the Participating Patient at the same time as it bills the Participating Patient. If the Hospital fails to bill within such 30-day period, the

Participating Patient shall not be required to pay any amount to the Hospital, and Hospital may not bill, with respect to such unbilled services. Hospital agrees that time is of the essence with respect to this 30-day period.

5 (c) Hospital agrees that if it is or is deemed to be an out-of-network provider by Payer, it will accept as payment in full from Payer (except for permitted co-payment and deductible amounts to be collected from Patient), for its facility services with respect to Participating Patients, an amount based upon Payer's allowed amounts and out-of-network rates for such facility services.

10

2. No Surcharges.

Except as provided in Section 1 of this Agreement, Hospital agrees that it will not surcharge or attempt to bill, charge, collect or seek any additional payment or compensation from the Participating Patient. Hospital further agrees that it shall have no right to, and shall not, attempt to bill, charge or collect any amount from SC. Hospital's sole right to payment (other than from Payers) shall be from the Participating Patient in accordance with the terms of this Agreement. The provisions of this Section 2 shall apply regardless of whether or in what amount, if any, Hospital is able to collect from Payers.

20

3. Determination of Eligibility for Preferred Rates.

"Participating Patients" means persons who are entitled to receive the preferred co-payment and deductible rates described in Section 1 of this Agreement. SC will provide Hospital with appropriate, written documentation identifying the patient as a Participating Patient; provided, that nothing in this Section 3 or otherwise in this Agreement is intended or shall be construed as a representation, warranty or promise by SC that any Payer is responsible to pay for any portion of any services

25

provided to a Participating Patient by Hospital.

4. Utilization and Quality Management.

5 Hospital agrees to participate in the Payer's utilization management and quality
management programs including pre-admission, concurrent and retrospective
review and quality improvement. Hospital agrees to comply with, and be bound
by the decisions of such utilization management and quality management programs
of Payer subject to any rights of appeal Hospital may have pursuant to such
10 programs. Hospital agrees that it will not attempt to bill or collect co-payment or
deductible amounts from Participating Patients to the extent doing so would be
inconsistent with any determination pursuant to the Payer's utilization management
or quality management programs with respect to medical necessity, medical
appropriateness, medical quality and allowable charges.

15

5. Marketing and Promotion.

Hospital authorizes SC to make reasonable use of its name, address and telephone
number and trademarks, service marks and other symbols in SC's promotional and
20 marketing activities related to this Agreement.

6. Non-Exclusive Arrangement.

Hospital acknowledges and agrees that this Agreement is not an exclusive
25 agreement and that SC may contract with other providers to serve in the same
capacity as Hospital.

7. Independent Contractor Relationship; Practice of Medicine.

Hospital and SC, and each of their shareholders, officers, directors, employees and other agents, are at all time independent contractors with respect to each other. Nothing in this Agreement shall be construed to make or render either party or any of its shareholders, directors, officers, employees or other agents an employee,
5 agent, partner or joint venturer of or with the other party. Hospital and SC acknowledge and agree that SC does not practice medicine and that SC shall not make or be responsible for any decisions regarding the care and treatment of Participating Patients including admission, treatment and discharge of Participating Patients.

10
8. Representations of Hospital.

Hospital represents and warrants that it is now and at all times during the term of this Agreement, including any renewal terms, will remain, duly licensed as a
15 general acute care hospital with a full, three (3) year accreditation by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), and maintain a Medicare provider agreement with the Health Care Financing Administration.

20
9. Representations By SC.

SC represents and warrants that it is now and at all times during the term of this Agreement, including any renewal terms, will remain a California corporation in good standing.

25
10. Nondiscrimination.

Hospital agrees (a) not to differentiate or discriminate in its provision of healthcare services because of race, color, creed, national origin, ancestry, religion, sex,

marital status, sexual orientation, age, health status or physical or mental handicap, and (b) subject to medical necessity, to render healthcare services to Participating Patients in the same manner, in accordance with the same standards, and within the same time availability as offered to in-network patients of Payers.

5

11. Insurance.

(a) Responsibility for Own Acts.

10

Each party will be responsible for its own acts or omissions and any and all claims, liabilities, injuries, suits and demands and expenses of all kinds which may result from or arise out of any alleged malfeasance or neglect caused or alleged to have been caused by that party, its shareholders, directors, officers, employees or agents, in the performance or omission of any act or responsibility of that party under this Agreement or otherwise. Each party agrees to indemnify, defend and hold harmless the other party, and its shareholders, directors, officers, employees and agents, from any and all liabilities, causes of action, damages, expenses, including reasonable attorneys fees, settlements, judgments, costs or otherwise, arising from, related to, in connection with or resulting from the actions or failures to act of the party.

15

20

b) Hospital's Liability Insurance.

25

Hospital has and shall maintain in effect during the term of this Agreement, including any renewal terms, professional liability ("malpractice") insurance and primary general liability coverage in the minimum amount of [Ten] Million Dollars (\$[10],000,000) per occurrence and [Ten] Million Dollars (\$[10],000,000) in the annual aggregate. If the Hospital has a "claims" made malpractice insurance

policy, then in the event of the cancellation, termination, expiration or nonrenewal of such policy, Hospital shall immediately purchase an extended reporting endorsement (“tail”) policy with the same policy limits as the primary malpractice liability insurance policy. Upon request, Hospital will provide SC with a Certificate of Insurance evidencing that it maintains the professional and general liability coverage required herein. The Certificate of Insurance shall contain a provision whereby the insurance company will notify SC of any change in coverage, including a termination, cancellation, nonrenewal or material amendment of the policy, at least thirty (30) days prior to any such change.

c) SC’s Liability Insurance.

SC has and shall maintain in effect during the term of this Agreement, including any renewal terms, general liability coverage in the minimum amount of \$___ Million Dollars (\$_____) per occurrence and ___ Million Dollars (\$_____) in the annual aggregate. Upon request, SC will provide Hospital with a Certificate of Insurance evidencing that it maintains the general liability coverage required herein.

12. Term of Agreement.

This Agreement shall become effective on the Effective Date and shall continue for a period of twelve (12) months; this Agreement shall automatically renew for successive twelve (12) month terms, each on the same terms and conditions contained herein, unless sooner terminated pursuant to the terms of this Agreement.

13. Termination of the Agreement.

(a) Automatic Termination by SC.

Notwithstanding any other provision of this Agreement to the contrary, SC shall have the right to terminate this Agreement automatically, without prior notice, upon the occurrence of any of the following events: (i) Hospital's license to operate
5 a general acute care hospital expires or is suspended or revoked; (ii) Hospital is no longer fully accredited by the JCAHO; (iii) Hospital is no longer a Medicare provider; or (iv) Hospital no longer meets the insurance requirements set forth in Section 12.

10 b) Termination With Cause.

Either party shall have the right to terminate this Agreement in the event of a material breach by the other party, upon providing the breaching party with written notice specifying the nature of the alleged breach. Thereafter, the breaching
15 party shall have thirty (30) days in which to attempt to cure the breach. If the breach is not cured within such 30 day period, then the termination shall be effective upon the 30th day after the giving of the original notice.

20 c) Termination Without Cause.

Notwithstanding any other provision of this Agreement to the contrary, each party to the Agreement shall have the right to terminate the Agreement, at any time, with or without cause, upon providing the other party with at least ninety (90)
25 days' prior written notice.

d) Termination by Mutual Consent.

Notwithstanding any other provision of this Agreement to the contrary, this Agreement may be terminated at any time upon the mutual, written consent of the

parties.

14. Responsibility For Participating Patients at Termination.

- 5 Notwithstanding the termination of this Agreement for any reason, Hospital will continue to provide healthcare services to Participating Patients until the patient's attending physician determines that the patient should be discharged from the Hospital.

15. General Provisions.

15.1 Notices. Any notices required or permitted to be given hereunder by either party to the other shall be in writing and may be given by personal delivery or by registered or certified mail, postage prepaid, return-receipt-requested. Notices shall be addressed to the parties at the addresses which follow:

SC: SC, Inc.

SC Address

Attention _____

HOSPITAL: _____ Hospital

Attn: _____

Either party may change its address for notice by written notice given in accordance with this Section. Notices delivered personally will be deemed communicated as of actual receipt; mailed notices will be deemed communicated on the third (3rd) day after proper mailing.

15.2 Entire Agreement of the Parties. This Agreement supersedes any and all agreements, either written or oral, between the parties hereto with respect to the subject matter of this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any other party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding. Any modification of this

Agreement will be effective only if it is in writing signed by the party to be charged.

5 15.3 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force and effect, unless such invalidity would defeat an essential business purpose of this Agreement.

10 15.4 Arbitration. Except as may be otherwise provided in Section 15.10 of this Agreement, any controversy or claim arising out of or relating to this Agreement, including the formation, performance, termination or any breach hereof, will be settled by binding arbitration in accordance with the rules of commercial arbitration of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having
15 jurisdiction thereof. Discovery shall be available in such arbitration to the full extent provided for by the California Code of Civil Procedure with respect to matters litigated in California courts. Such arbitration shall occur within the County of Contra Costa, State of California, unless the parties mutually agree to have such proceeding in some other locale. In any such arbitration, the arbitrator(s)
20 may award attorneys' fees and costs to the prevailing party or in such proportions as the arbitrator may allow.

 15.5 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California.

25

 15.6 Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns. Neither party may assign this Agreement nor any of its rights or obligations hereunder, without the prior written consent of the non-assigning party.

Any assignment or delegation in contravention of this provision shall be null and void.

5 15.7 Attorney's Fees. Should either party to this Agreement institute any arbitration or other action or proceeding, to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the arbitrator or court may award the prevailing party in any such arbitration, action or proceeding its costs and expenses, including without limitation reasonable attorney's fees, 10 incurred by the prevailing party in such arbitration, action or proceeding.

15.8 Amendment. This Agreement may not be amended, supplemented, modified or restated except by a writing signed by both parties hereto.

15 15.9 Third Party Beneficiaries. Except for Participating Patients, SC and Hospital and their respective successors or assigns, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any person, firm, corporation or entity, any remedy or claim under or by reason of this Agreement or any term, covenant or condition hereof, as third party beneficiaries 20 or otherwise, and all of the terms, covenants and conditions hereof shall be for the sole and exclusive benefit of Participating Patients, SC and Hospital and their successors and assigns. Hospital acknowledges and agrees that Participating Patients are intended beneficiaries of this Agreement. Accordingly, Participating Patients shall have the right to institute an arbitration (in accordance with Section 25 15.4 hereof) or court proceeding against Hospital for any breach of this Agreement.

15.10 Proprietary Information.

(a) At all times during and after the term of this Agreement,

Hospital shall maintain the confidentiality of all information regarding SC and Participating Patients including, but not limited to, this Agreement, SC's idea and concept for assisting patients who want to see the physician of their choice without incurring a financial penalty in the form of higher co-payments and deductibles (the "Idea") and the Participating Patient's name, address, and telephone number and medical records, and shall not disclose such information to any person not a party to this Agreement other than to a party's legal counsel or accountant. Hospital acknowledges and agrees that such information constitutes confidential and proprietary information and a trade secret within the meaning of the Uniform Trade Secrets Act (the "Act") contained in California Civil Code Sections 3426 et seq. At all times during and after the term of this Agreement, Hospital shall not disclose, reveal, divulge, distribute or make known or use or exploit any confidential or propriety information regarding Participating Patients or SC for its own benefit or gain either during the term of this Agreement or after the date of termination of this Agreement; provided, however, Hospital may use the name, address and telephone number or medical record information of a Participating Patient if medically necessary for the proper treatment of such Participating Patient, for billing and collection purposes or upon the express, prior written consent of SC or the Participating Patient.

(b) Hospital agrees that the Idea, this Agreement and SC's related confidential and proprietary information to be disclosed to Hospital constitute items of substantial value to SC and any unauthorized use or disclosure thereof in breach or violation of the covenants contained herein will result in substantial damages to SC, which damages SC may seek to redress through the commencement of legal proceedings against Hospital. In addition to the covenants contained herein and any other remedies available at law or in equity, SC shall receive all of the protections and be afforded all of the remedies available under the Act. Further, Hospital agrees that the covenants and restrictions set forth herein:

(i) are necessary, fundamental and required for the protection of SC's Idea and related confidential and proprietary information, and (ii) relate to matters which may be of an extraordinary character that give such covenants a special, unique value. A material breach of any of these covenants may result in irreparable harm and damage which cannot be adequately compensated by a monetary award. Accordingly and notwithstanding Section 15.4 of this Agreement, in addition to all other remedies available at law or in equity, SC shall be entitled to the immediate remedy of a temporary restraining order, preliminary injunction or such other form of temporary or permanent injunctive or equitable relief as may be issued by a court of competent jurisdiction to restrain or enjoin a breach of all or any portion of the covenants contained herein or to specifically enforce the provisions hereof, without proof of actual damage.

15.11 Headings. The subject headings of the Sections of this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

15.12 Interpretation. Neither party to this Agreement shall be deemed the drafter of this Agreement. If this Agreement is ever interpreted or construed by a court of law or arbitrator, such court or arbitrator shall not construe this Agreement or any provision hereof against either party as drafter.

15.13 Counterparts. This Agreement may be executed in multiple counterparts, each of which should be deemed to be an original and all of which taken together shall constitute a single instrument.

Appendix IV: The Computational Model For Reimbursement:

Physicians Agreement Exhibit

5

The Performance Based Relationship™

10 **SC, PC** (Professional Corporation) will defer the Financial Service Fee (**SF**) until the current level of collections in the physician's practice is exceeded. The current level of collections represents the status of collections in the physician's office before contracting with **SC, PC**. This level can be standardized by determining a Baseline Average (**BA**) of collections. This average is established through the Relative Value System in which collections are divided by RVS units of collected claims. Under contract with **SC, PC**, a Financial Service Fee (**SF**) will not be applied to subsequent Monthly Collections (**MC**) unless the baseline level of collections (**BC**) is reached as a threshold. Although Baseline and Monthly Collections will vary month to month based upon practice activity, the Baseline Average (**BA**) will not change.

20 The establishment of a Baseline Average (**BA**) requires an audit of the physician's practice. The Baseline Average of reimbursement is determined by dividing the sum of audited collections by the primary RV units of audited procedures. To confirm the accuracy of the computation, the Baseline Average (**BA**) from the thirty random charts will also be compared to Baseline Average of four month's collections. To simplify and standardize the computation of baseline and monthly averages, the RVUs for BR and RNE procedures will be assigned an average unit value from the random audited charts. RVUs from office visits and 51 modifier codes of multiple component procedures will be excluded for the computation of Baseline and Monthly Averages.

30 The Financial Service Fee (**SF**) that is charged to the physician's practice is a percentage of all monthly collections. However, the Financial Service Fee (**SF**) will only be taken from Incremental Collections (**IC**) above the Baseline. Based on the ratio of Incremental and Monthly Collections, a sliding scale Service Fee (**SF**) between **0% and 20%** is applied to Monthly Collections (**MC**). For 35 Monthly Collections that are equal or less than the Baseline, no Service Fee is charged (**0% SF**). When monthly collections (**MC**) are above the Baseline, the surgeon will always receive at least 50% of Incremental Collections (**IC**) above the baseline. With higher incremental collections, another restriction to the Service Fee (**SF**) is imposed. At no time will the service fee exceed a **20% SF Cap**. Beyond this level, an increasing proportion of Incremental Collections 40 (**IC > 50%**) will be provided to the physician.

For **SC PC**, the sliding Service Fee (**SF**) creates an incentive to collect above

the baseline but also imposes a penalty if collections do not exceed the baseline. For any month that **SC PC** receives a Service Fee, the surgeon will also receive a Monthly Incremental Income (**MII**) above the baseline.

5 The establishment of baseline and incremental levels of collections is essential to the **Performance Based Relationship™**. However, an assessment of your current collection costs is also required. The admixture of insurance contracts is the main factor that determines those costs. Due to the severe obstacles of Managed care, Medicare and Medicaid (Medical), collections from these payers
10 will be exempted from the **Performance Based Relationship™**. Instead, a standard 12% service fee will be charged to monthly collections that are generated from these contracts. Depending on the mixture of these contracts, the percentage may also be adjusted.

15 **Monthly Computation**

Under contract with **SC PC**, the Monthly Average (**MA**) of collections is determined by dividing the collected revenue for the month by the RVUs of collected claims for the month (**\$ per RVU**). The **Ratio** of the Baseline and
20 Monthly Averages is the key reference point of the **Performance Based Relationship™**. This ratio is determined by dividing the Monthly Average into the Baseline Average (**BA/MA**). For easier computation, the ratio is then converted into a Baseline Percentage (**BP= BA/MA x 100**). To determine monthly Baseline Collections (**BC**), the monthly collections (**MC**) are
25 multiplied by the Baseline Percentage (**BP**). Incremental Collections (**IC**) above the baseline are computed by subtracting Baseline Collections from Monthly Collections.

30 With the **Performance Based Relationship™**, *baseline collections are protected.*

The financial Service Fee (**SF**) is only charged in months when Incremental Collections are produced. For any month, the sliding scale Service Fee (**SF**) is set as a percent of Monthly Collections (**MC**). Four conditions are imposed on the Service Fee (**SF**).

- 35
- 1) A Service Fee (**SF**) will not be applied when Monthly Collections (**MC**) do not exceed Baseline Collections (**BC**).
 - 2) For any month in which collections exceed the baseline, the client surgeon will always receive at least 50% of Incremental Collections
40 (**IC**).
 - 3) The financial service fee will never exceed 50% of Incremental Collections (**IC**).
 - 4) A Service Fee (**SF**) Cap of 20% is imposed when Incremental

Collections (IC) create a higher service fee percentage.

Criteria for Baseline and Monthly Averages

The collections from thirty random charts will be divided by the primary code RVUs of those collected procedures. For BR procedures, an average computed RVU will be assigned. This baseline ratio (\$/unit) from thirty random charts will also be compared to the baseline average of a 4month period. The following criteria used to establish the baseline and monthly averages.

Criteria for Collections

- 1) Revenues from primary CPT codes, secondary 51 modified CPT codes, BR & RNE CPT codes, and office visit CPT codes are included
- 2) Co-pay included in the collected amount
- 3) Deductible included in the collected amount
- 4) Cash payments for normally reimbursable procedures are included
- 5) Cash Payments from non-reimbursed cosmetic procedures are excluded

Criteria for RV units

- 1) Only RVUs from the primary code of the procedure are used. For multiple coded procedures, the CPT code with the highest assigned value (RVU) is used.
- 2) BR and RNE components will have an RVU assigned as an average of audited procedures.
- 3) Denied procedure components are excluded
- 4) RVUs from secondary 51 modified codes are excluded
- 5) RVUs from consultations and office visits are excluded

If percentage contracts are prohibited by HICFA, the baseline incremental relationship will be used as a guideline that assigns an average fee per claim charge. To determine the average charge per claim for that month, the computed service fee SF is divided by the number of claims.

Example 1

Monthly Calculation Sheet

Monthly Collections MC = \$75,000

[The monthly revenue in dollars that are collected under contract with SC financial services]

Relative Value Units RVU = 500

[The number of **primary** relative value units collected during the month.]

Baseline Average BA = \$80/unit

[The Baseline Average from the Office Audit: The average created by dividing the collections of audited procedures by the primary Relative Value Units of those audited procedures. Because a relative value has not been established, BR procedures will be assigned an average RVU value of audited procedures. The baseline average is indicative of the reimbursement level that previously existed in the physician's practice.]

Monthly Average MA = MC / RVU

MA = \$75,000/500 units = \$150/unit

[The average created by dividing the monthly collections by the primary RVUs of monthly collections]

Baseline Percentage BP = (BA / MA) x100

BP = (\$80/unit)/(\$150/unit) x100 = 53%

[For each month, the Baseline Percentage is determined by dividing the Baseline Average by the Monthly Average. The Baseline Percentage is the proportion that Baseline Collections comprise the overall collections for the month. For computation, the baseline percentage will not exceed 100%]

Baseline Collections BC = MC x BP

BC = \$75,000 x 53% = \$39,750

[The calculated monthly revenue that would be collected by the previous reimbursement system. To assess the effectiveness of SC financial services, baseline collections BC should be compared to monthly collections MC.]

Incremental Average IA = MA - BA

IA = \$150/unit - \$80/unit = \$70/unit

[For each month, the Incremental Average is determined by subtracting the Baseline (BA) from the Monthly Average (MA). The Incremental Average is a measure of increased collections above the baseline. For computation, the Incremental Average will not be less than zero]

Incremental Percentage IP = (IA / MA) x100

IP = (\$70/unit)/(\$150/unit) X100 = 47 %

[For each month, the Incremental Percentage is determined by dividing the Incremental Average by the Monthly Average. The incremental percentage is a proportion that incremental collections comprise the overall collections for the month. The sum of the baseline and incremental percentages should equal 100%]

Incremental Collections IC = MC - BC

IC = \$75,000 - \$39,750 = \$35,250

[The incremental collection is determined by subtracting the baseline collections BC from the monthly collections MC. The incremental collections IC represents the additional monthly revenue that is collected above the baseline.]

Service Fee Percentage SF % = (.5 IC/MC) x 100

SF% = (\$17,625/\$75,000)x 100 = 23.5%

[With higher incremental collections, a 20% service fee cap is imposed]

Financial Service Fee SF = MC x SF %

SF = \$75,000 x 20% = \$15,000

[The financial service fee SF is deferred until the baseline is exceeded.]

Monthly Income MI = MC- SF

MI = \$75,000- \$15,000 = \$60,000

Attorney Docket # 1000-008, E. W. Knowlton

[The monthly income is determined by subtracting the billing service charge from the monthly collections MC. The monthly income represents the net revenue to your practice.]

Monthly Baseline income MBI = BC x 80%

5 **\$35,250 x 80% = \$28,200**

[The monthly baseline income is computed reimbursement income of your practice that would have been collected with the previous system of reimbursement. The approximate cost of baseline collections has been deducted.]

10 **Monthly Incremental Income MII = MI - MBI**

MI = \$60,000 – \$28,200 = \$31,800

[The monthly incremental income is determined by subtracting the monthly baseline income MBI from the monthly income MI. The monthly incremental income represents the additional net revenue to your practice.]

15

Example 2 Monthly Calculation Sheet

Monthly Collections MC = \$60,000

5 [The monthly revenue in dollars that are collected under contract with SC financial services]

Relative Value Units RVU = 480

[The number of **primary** relative value units collected during the month.]

10 **Baseline Average BA = \$80/unit**

[The Baseline Average from the Office Audit: The average created by dividing the collections of audited procedures by the primary Relative Value Units of those audited procedures. Because a relative value has not been established, BR procedures will be assigned an average RVU value of audited procedures. The baseline average is indicative of the reimbursement level that
15 previously existed in the physician's practice.]

Monthly Average MA = MC / RVU

MA = \$60,000/480 units = \$125/unit

20 [The average created by dividing the monthly collections by the primary RVUs of monthly collections]

Baseline Percentage BP = (BA / MA) x100

BP = (\$80/unit)/(\$125/unit) x100 = 64%

25 [For each month, the Baseline Percentage is determined by dividing the Baseline Average by the Monthly Average. The Baseline Percentage is the proportion that Baseline Collections comprise the overall collections for the month. For computation, the baseline percentage will not exceed 100%]

Baseline Collections BC = MC x BP

30 **BC = \$60,000 x 64% = \$38,400**

[The calculated monthly revenue that would be collected by the previous reimbursement system. To assess the effectiveness of SC financial services, baseline collections BC should be compared to monthly collections MC.]

35 **Incremental Average IA = MA - BA**

IA = \$125/unit - \$80/unit = \$55/unit

[For each month, the Incremental Average is determined by subtracting the Baseline (BA) from the Monthly Average (MA). The Incremental Average is a measure of increased collections above the baseline. For computation, the Incremental Average will not be less than zero]
40

Incremental Percentage IP = (IA / MA) x100

IP = (\$55/unit)/(\$125/unit) X100 = 44 %

45 [For each month, the Incremental Percentage is determined by dividing the Incremental Average by the Monthly Average. The incremental percentage is a proportion that incremental collections comprise the overall collections for the month. The sum of the baseline and incremental percentages should equal 100%]

Incremental Collections IC = MC – BC

IC = \$60,000 – \$38,400 = \$21,600

[The incremental collection is determined by subtracting the baseline collections BC from the monthly collections MC. The incremental collections IC represents the additional monthly revenue that is collected above the baseline.]

Service Fee Percentage SF % = (.5 IC/MC) x 100

SF % = (\$10,800/\$60,000)x 100 = 18%

[With higher incremental collections, a 20% service fee cap is imposed]

Financial Service Fee SF = MC x SF %

SF = \$60,000 x 18% = \$10,800

[The financial service fee SF is deferred until the baseline is exceeded.]

Monthly Income MI = MC- SF

MI = \$60,000- \$10,800 = \$49,200

[The monthly income is determined by subtracting the billing service charge from the monthly collections MC. The monthly income represents the net revenue to your practice.]

Monthly Baseline income MBI = BC x 80%

\$38,400 x 80% = \$30,720

[The monthly baseline income is computed reimbursement income of your practice that would have been collected with the previous system of reimbursement. The approximate cost of baseline collections has been deducted.]

Monthly Incremental Income MII = MI - MBI

MI = \$49,200 – \$30,720 = \$18,480

[The monthly incremental income is determined by subtracting the monthly baseline income MBI from the monthly income MI. The monthly incremental income represents the additional net revenue to your practice.]

Example 3 Monthly Calculation Sheet

Monthly Collections MC = \$36,000

5 [The monthly revenue in dollars that are collected under contract with SC financial services]

Relative Value Units RVU = 400

[The number of **primary** relative value units collected during the month.]

10 **Baseline Average BA = \$80/unit**

[The Baseline Average from the Office Audit: The average created by dividing the collections of audited procedures by the primary Relative Value Units of those audited procedures. Because a relative value has not been established, BR procedures will be assigned an average RVU value of audited procedures. The baseline average is indicative of the reimbursement level that previously existed in the physician's practice.]

Monthly Average MA = MC / RVU

MA = \$36,000/400 units = \$90/unit

20 [The average created by dividing the monthly collections by the primary RVUs of monthly collections]

Baseline Percentage BP = (BA / MA) x100

BP = (\$80/unit)/(\$90/unit) x100 = 89 %

25 [For each month, the Baseline Percentage is determined by dividing the Baseline Average by the Monthly Average. The Baseline Percentage is the proportion that Baseline Collections comprise the overall collections for the month. For computation, the baseline percentage will not exceed 100%]

Baseline Collections BC = MC x BP

30 **BC = \$36,000 x 89 % = \$32,040**

[The calculated monthly revenue that would be collected by the previous reimbursement system. To assess the effectiveness of SC financial services, baseline collections BC should be compared to monthly collections MC.]

35 **Incremental Average IA = MA - BA**

IA = \$90/unit - \$80/unit = \$10/unit

40 [For each month, the Incremental Average is determined by subtracting the Baseline (BA) from the Monthly Average (MA). The Incremental Average is a measure of increased collections above the baseline. For computation, the Incremental Average will not be less than zero]

Incremental Percentage IP = (IA / MA) x100

IP = (\$10/unit)/(\$90/unit) X100 = 11 %

45 [For each month, the Incremental Percentage is determined by dividing the Incremental Average by the Monthly Average. The incremental percentage is a proportion that incremental collections comprise the overall collections for the month. The sum of the baseline and incremental percentages should equal 100%]

Incremental Collections $IC = MC - BC$

$IC = \$36,000 - \$32,040 = \$3,960$

[The incremental collection is determined by subtracting the baseline collections BC from the monthly collections MC. The incremental collections IC represents the additional monthly revenue that is collected above the baseline.]

Service Fee Percentage $SF \% = (.5 IC/MC) \times 100$

$SF \% = (\$3,960/\$36,000) \times 100 = 11 \%$

[With higher incremental collections, a 20% service fee cap is imposed]

Financial Service Fee $SF = MC \times SF \%$

$SF = \$36,000 \times 11 \% = \$3,960$

[The financial service fee SF is deferred until the baseline is exceeded.]

Monthly Income $MI = MC - SF$

$MI = \$36,000 - \$3,960 = \$32,040$

[The monthly income is determined by subtracting the billing service charge from the monthly collections MC. The monthly income represents the net revenue to your practice.]

Monthly Baseline income $MBI = BC \times 80 \%$

$\$32,040 \times 80 \% = \$25,632$

[The monthly baseline income is computed reimbursement income of your practice that would have been collected with the previous system of reimbursement. The approximate cost of baseline collections has been deducted.]

Monthly Incremental Income $MII = MI - MBI$

$MII = \$32,040 - \$25,632 = \$6,408$

[The monthly incremental income is determined by subtracting the monthly baseline income MBI from the monthly income MI. The monthly incremental income represents the additional net revenue to your practice.]

Example 4
Monthly Calculation Sheet

Monthly Collections MC = \$36,000

5 [The monthly revenue in dollars that are collected under contract with SC financial services]

Relative Value Units RVU = 480

[The number of **primary** relative value units collected during the month.]

10 **Baseline Average BA = \$80/unit**

[The Baseline Average from the Office Audit: The average created by dividing the collections of audited procedures by the primary Relative Value Units of those audited procedures. Because a relative value has not been established, BR procedures will be assigned an average RVU value of audited procedures. The baseline average is indicative of the reimbursement level that
15 previously existed in the physician's practice.]

Monthly Average MA = MC / RVU

MA = \$36,000/480 units = \$75/unit

20 [The average created by dividing the monthly collections by the primary RVUs of monthly collections]

Baseline Percentage BP = (BA / MA) x100

BP = (\$80/unit)/(\$75/unit) x100 = 107% (100%)

25 [For each month, the Baseline Percentage is determined by dividing the Baseline Average by the Monthly Average. The Baseline Percentage is the proportion that Baseline Collections comprise the overall collections for the month. For computation, the baseline percentage will not exceed 100%]

Baseline Collections BC = MC x BP

30 **BC = \$36,000 x 100% = \$36,000**

[The calculated monthly revenue that would be collected by the previous reimbursement system. To assess the effectiveness of SC financial services, baseline collections BC should be compared to monthly collections MC.]

35 **Incremental Average IA = MA - BA**

IA = \$75/unit - \$80/unit = -\$5/unit (\$0/unit)

[For each month, the Incremental Average is determined by subtracting the Baseline (BA) from the Monthly Average (MA). The Incremental Average is a measure of increased collections above the baseline. For computation, the Incremental Average will not be less than zero]
40

Incremental Percentage IP = (IA / MA) x100

IP = (\$0/unit)/(\$75/unit) X100 = 0 %

45 [For each month, the Incremental Percentage is determined by dividing the Incremental Average by the Monthly Average. The incremental percentage is a proportion that incremental collections comprise the overall collections for the month. The sum of the baseline and incremental percentages should equal 100%]

Incremental Collections IC = MC – BC

IC = \$36,000 – \$36,000 = \$0

5 [The incremental collection is determined by subtracting the baseline collections BC from the monthly collections MC. The incremental collections IC represents the additional monthly revenue that is collected above the baseline.]

Service Fee Percentage SF % = (.5 IC/MC) x 100

SF % = (\$0/\$36,000) x 100 = 0 %

10 [For the monthly service fee, a sliding scale percentage is determined from the ratio of incremental collections to monthly collections. Depending on the amount of incremental collections, the service fee percentage will vary for between 0% and 20%. With higher incremental collections, a 20% service fee cap is imposed]

Financial Service Fee SF = MC x SF %

15 **SF = \$36,000 x 0 % = \$0**

[The financial service fee SF is deferred until the baseline is exceeded.]

Monthly Income MI = MC- SF

MI = \$36,000- \$0 = \$36,000

20 [The monthly income is determined by subtracting the billing service charge from the monthly collections MC. The monthly income represents the net revenue to your practice.]

Monthly Baseline income MBI = BC x 80 %

\$36,000 x 80 % = \$28,880

25 [The monthly baseline income is computed reimbursement income of your practice that would have been collected with the previous system of reimbursement. The approximate cost of baseline collections has been deducted.]

Monthly Incremental Income MII = MI - MBI

30 **MI = \$36,000 – \$28,880 = \$7,120**

[The monthly incremental income is determined by subtracting the monthly baseline income MBI from the monthly income MI. The monthly incremental income represents the additional net revenue to your practice.]

Appendix V: Onlin Referral Page/Database

Online Patient Registration

To submit an inquiry to our registered nurse coordinator, please fill out the following form. Although we cannot guarantee a specific response time, we will make every effort to contact you within two days. For more information by telephone, please contact us at **1-800-###-####**

First Name MI Last Name

Jane Doe

City State Zip

Anytown, Ca

Preferred Contact Method: (Please click one)

☐ Phone ☐ Fax ☒ Email

Please fill out all the boxes below in case we cannot reach you through your preferred method of contact

Telephone

Fax

Email

Please click the button that best represents the urgency of your inquiry:

- ☒ Within 2 days, I need a information urgently
☐ Within 1 week, I am considering my options now
☐ Within 2 weeks, I am collecting information for a future decision

Comments

Example

Appendix VI: Online Nurse Checklist

Patient: Jan Do

Step 1	Initial Patent Interview Completed	<input checked="" type="checkbox"/>
Step 2	Patient Registration Received	<input checked="" type="checkbox"/>
Step 3	Received patient's list of preferred hospitals	<input checked="" type="checkbox"/>

Online Nurse Checklist, Continued

Patient: Jan Doe

Step 4	RNC called hospitals and obtained list of credentialed surgeons	<input checked="" type="checkbox"/>
Step 5	Emailed list of credentialed surgeons to Business Manager and Medical Director	<input checked="" type="checkbox"/>
Step 6	Business Manager called credentialed surgeons' offices and obtained positive commitment to participate in the care of the patient	<input checked="" type="checkbox"/>

Online Nurse Checklist, Continued

Pati nt: Jane Do

Step 7	Sent complete list of participating surgeons To RNC and Medical Director	<input checked="" type="checkbox"/>
Step 8	Surgeons recommended by Medical Director	<input checked="" type="checkbox"/>
Step 9	Medical Director sent list of recommended surgeons back to RNC	<input checked="" type="checkbox"/>

Online Nurse Checklist, Continued

Patient: Jane Doe

Step 10	RNC emailed or faxed list of recommended surgeons to patient and Business Manager	<input checked="" type="checkbox"/>
Step 11	Patient selected surgeon and had surgery	<input checked="" type="checkbox"/>
Step 12	Business Manager completed follow-up office inquiry of patient's status 48 hours after surgery	<input checked="" type="checkbox"/>

Online Nurse Checklist, Continued

Pati nt: Jan Doe

Step 13	Business Manager follow-up results emailed to RNC and Medical Director	<input checked="" type="checkbox"/>
Step 14	RNC completed follow-up inquiry of patient's status 2 week after surgery	<input checked="" type="checkbox"/>
Step 15	RNC follow-up inquiry of patient's status emailed to Business Manager and Medical Director	<input checked="" type="checkbox"/>

Appendix VII: Website layout

Patient Webpage

5 **SC.com** A service provider for patients who are considering surgery

10 *SC is an Internet medical center of board certified surgeons. Our role is to assist you in obtaining the appropriate surgical procedure for your condition. During this decision making process, we will represent your interests by coordinating a treatment plan with your surgeon, hospital and medical insurer. Included as part of this service, is detailed information on the indications, benefits and potential complications of any surgical procedure. The descriptions of various surgical procedures are provided in non-technical language that is easy to understand. Also discussed is the timing and urgency of the procedure as it relates to your specific diagnosis. Additional details such as the appropriate facility for the procedure and the length of recovery are included.*

20 *Although these descriptions will provide basic information on a variety of surgical procedures, further assistance can also be obtained from our nurse practitioners who will personally discuss your symptoms with you. At no cost to you, they will describe options of care and orient you to the appropriate surgical specialty that can most effectively treat your condition. To limit your out of pocket expenses, our front office staff will also function as an effective contract interface with the surgeon and hospital of your choice. If desired, we will also refer you to a board certified surgeon for a second opinion.*

30 *If you wish to register as a patient with SC, please fill out the form below. We will respond to your inquiry in 2 working days. If you wish to discuss your condition with a nurse practitioner, please call 1-877-SC9 (1-877-632-2739). All inquiries will be kept confidential.*

Physician Web Page

SC.com An Internet service provider for surgeons and their patients

SC

SC is a medical services company that is dedicated to the private “fee for service” surgeon. Our central corporate mission is to service the needs of the private surgeon with a full service reimbursement system that also generates new patient referrals. With SC’s referral and reimbursement systems, we can expand your practice and raise your average per procedure reimbursement. Our full service approach from eligibility to collections has raised the net income of every SC surgeon.

SC also supports the development of advanced surgical procedures through Method Based Care™. Those procedures that enhance patient outcomes are highlighted in website descriptions that attract new patient referrals. With SC’s service and referral systems, enhanced physician reimbursement has been directly linked to improved outcomes of surgical patients.

For additional information, please register an inquiry into our network of surgeons. You may also contact us at 1-800-822-2759. All preliminary inquiries will be kept confidential.

Four Website Components

1. Links to websites with patient education brochures
2. Links to “approved” health care websites for general information /
3. Example ACS.org

5

4. Links to Disease Based Websites for more detailed information/ Example The Peg Procedures for breast cancer.
5. Patient inquires from either email or voice mail. Nurse practitioners will respond by phone and discuss patient's symptoms. Patients will be directly triaged to the appropriate surgical specialty. With online nursing triaging, the expense and inconvenience of an initial examination by a general practitioner is avoided.

10

Website Diagrams

Appendix VIII: Out of Network Rules and Forms

SC Financial Services™

5

Out of Network Rules

10 Overall, the goal is to eliminate the deductible penalty through the facility
wavier and to have the patient pay only the “in network” co-pay on the
Surgeon’s/doctor’s usual and customary fee”.

15 1. Prior authorization of the Professional codes and the Surgery center (DASC) is
always attempted. A confirmation number for the professional codes and terms
of DASC reimbursement are obtained from the insurer. Faxed documentation of
approval is obtained whenever possible. If the professional codes are authorized
but the surgery center is denied, scheduling of the procedure is done at an
authorized hospital or surgery center facility. A facility co-pay/deductible
wavier is then obtained from the hospital or the surgery center facility.

20

2. For the professional fee, the patient’s co-pay is not based on the billed amount
or the amount reimbursed by the insurer. The patient will only pay the normal
‘in network’ co-pay on EWK’s “usual and customary fee”. Depending upon
the patient’s policy, the “in network” co-pay will typically vary between 10%-
25 20%.

25

3. No balanced billing of the patient will be done on a routine basis. Only the
exceptional patient will be balanced billed. These accounts will be adjusted by
EWK on a case-by-case basis. Under these exceptional cases, the patient is only
30 balanced billed on the amount owed for EWK’s “usual and customary
fee”...not the billed amount to the insurer. This benefit is communicated to the

30

patient i.e., Dr. Knowlton has reduced his fee even though your insurer did not pay “the usual and customary fee”.

- 5 4. The facility should always bill first to assume the deductible penalty of the insurer. By billing first, the deductible penalty will be written off as per the facility wavier. For DASC, the same fee multipliers will be applied in determining the billed amount for the facility i.e., the deductible penalty that is written off by DASC, will be negated by increasing the billed amount by the amount of the deductible. A co-pay penalty of 50% will require doubling of the usual and customary facility fee. (The UCF for DASC is determined from the itemized charges for supplies and for charges due to time spent in the OR and Recovery Room.)
- 10
- 15 5. For difficult insurers like Blue Cross, the procedure is always performed at a hospital in which a wavier has been obtained. In this way, the hospital will be forced to write off the “out of network deductible” without penalizing the patient.

20

Date____/____/____

Out of Network Checklist

5

Patient's Name _____

Procedure _____

10

Insurer _____

☐ **Eligibility of patient: Yes No**

In Network Co-pay % _____

15

In Network Deductible \$ _____

Out of Network Co-pay % _____

20

Out of Network Deductible \$ _____

☐ **Codes listed by EWK** _____

☐ **Prior authorization of professional codes:**

25

Confirmation # _____

Faxed confirmation Yes No

30

☐ **Prior Authorization of DASC**

Confirmation # _____

Faxed confirmation Yes No

35

Terms of reimbursement:

Contracted Amount(~\$) _____

40

Non Contracted Term (% of billed amount) _____

☐ **Name of authorized facility
(other than DASC)** _____

45

☐ **Facility co-pay/deductible wavier
(Warning: Surgery cannot be done without Wavier)**

☐ **Scheduled Date of Surgery** _____
☐ **Patient contract signed** _____
5 ☐ **Operative permit signed** _____
☐ **Date of Surgery** _____
10 ☐ **Operative Report Dictated** _____
☐ **Date Hospital/ Facility Bill submitted** _____
☐ **Date Professional Claim submitted** _____
15 *(Warning: Do not submit Professional Claim until
Hospital/Facility billing has been verified)*

Codes submitted _____
(Include BR code whenever possible)
20 **EWK UCF \$** _____

Billed amount \$ _____
☐ **Date received EOB** _____
25 **Codes approved** _____

Codes denied _____
☐ **Payment amount \$** _____
30 ☐ **Appeal filed** _____

Date filed _____
35 **Status: Open Yes / No Date Closed** _____

Additional codes accepted _____
40 **Additional payment amount** _____

☐ **Patient co-pay received Yes / No** _____
45 **Date Received** _____
Amount charged _____
Amount paid _____

Notes:

Appendix IX:

GENERAL TERMS AND CONDITIONS AGREEMENT (PAYOR)

5

This General Terms and Conditions Agreement (Payor) (the "Agreement") is entered into as of this _____ day of 200__, by and between _____ [Insurance Company], a _____ [Corporation] ("Payor"), and SC Financial Services [Inc.], a California [Corporation] ("SC"), with reference to the following facts:

10

A. Persons who are covered by health insurance provided by Payor (hereinafter, "Patients") who desire to be treated by a qualified surgeon (hereinafter, "Surgeon") who is not a contracting provider of Payor, have a financial disincentive to do so.

15

That is, if the Patient chooses an "out-of-network" Surgeon, he or she will be required to pay higher deductible and copayment amounts.

20

B. SC is in the business of assisting Patients who want to be treated by the Surgeon of their choice to be able to do so without paying higher copayments and deductibles.

25

C. SC assists Patients to be seen by the Surgeon of their choice by arranging with third party payors to pay the Surgeon (and the hospital or ambulatory surgery center where the surgery will be performed [sometimes hereinafter referred to as the "Facility" or "Facilities"]) based upon the "in network" percentage of the allowed amount paid to contracting providers of the payor, subject to the Surgeon and Patient agreeing to certain terms and conditions.

D. Payor desires to assist Patients to be seen by the Surgeon of their choice by agreeing, whenever possible and appropriate, to pay the Surgeon and the Facility based upon the “in network” percentage of the allowed amount paid to contracting providers of Payor.

5

E. The parties hereto desire to set forth the general terms and conditions that will apply with respect to the authorization and payment for professional medical and Facility services that may be rendered by non-contracting Surgeons and Facilities to Patients.

10

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

15

1. Payor’s Commitments.

20

(a) Authorization Form. In order to authorize a non-contracting Surgeon to perform any surgical procedure(s) for a Patient who SC is assisting to be treated by Surgeon, Payor and Surgeon shall execute an authorization form (the “Authorization Form”) setting forth the specific surgical procedure(s) that Surgeon is authorized to perform for the Patient and the amount to be paid for such surgical procedure(s). The Authorization Form shall be substantially the same as Exhibit “A” attached hereto.

25

(b) Surgeon’s Fee. Subject only to the adjustment described in Section 1(e), below, Payor agrees that it shall pay Surgeon based upon the percentage of the allowed amounts set forth in the Authorization Form (the “Surgeon’s Fee”). Payor agrees that Patient shall be liable for a copayment based upon the percentage of the allowed amount set forth in the Authorization Form (subject only to the adjustment

described in Section 1(e)). Payor agrees that Patient shall not be liable to pay Surgeon for any deductible amount in connection with the surgical procedures authorized pursuant to the Authorization Form. Payor agrees that except as provided in Section 1(e), it shall have no right to reduce or not pay in full the Surgeon's Fee.

(c)Fees of Other Professionals. Payor agrees that it will pay the "in network," contracting physician fee to any other physicians (e.g., anesthesiology, radiology and pathology) who render pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in the Authorization Form.

(d)Timing of Payment. Payor agrees to pay the Surgeon's Fee directly to Surgeon within thirty (30) calendar days of receipt from SC of the operative report or other satisfactory proof that the surgical procedure(s) authorized the Authorization Form has been performed.

(e)Adjustment to Surgeon's Fee. As set forth in Section 2, SC agrees that it shall review the operative report prepared by Surgeon. If SC determines that a less complex surgical procedure was actually performed than was pre-authorized by Payor pursuant to the Authorization Form, the claim for payment that SC submits to Payor on behalf of Surgeon shall not include, and Payor shall not be required to pay for, the surgical codes which have been deleted. In that event, the Surgeon's Fee shall be adjusted downward to reflect the deleted codes. SC agrees and shall cause Surgeon to agree that Payor shall not be required to pay Surgeon any additional amount for procedures not expressly pre-authorized pursuant to the Authorization Form, even if a more complex surgical procedure is required to be and is actually performed by Surgeon.

(f) No Retroactive Denial. Except as provided in Section 1(e), Payor agrees that it shall not have any right to reduce or deny payment of the Surgeon's Fee after the surgical procedure has been performed. By executing this Agreement and the Authorization Form, Payor irrevocably waives the right to later claim that at the time the authorized surgical procedure was performed, Patient was not insured by or otherwise eligible for health insurance benefits from Payor.

(g) Facility Fee. If the hospital or ambulatory surgery center ("ASC") where the surgical procedure(s) set forth in the Authorization Form is to be performed is a contracting, participating provider with Payor, Payor agrees that it (i) will pay the "in network," participating provider fee to the hospital or ASC; and (ii) take whatever steps are necessary to ensure that the hospital or ASC treats Patient as being "in network" and charges Patient no more than the "in network" deductible and copayment amounts with respect to facility fees. If the hospital or ASC where the surgical procedure(s) is to be performed is not or is deemed to not be, a contracting, participating provider with Payor, Payor acknowledges that pursuant to the Preferred Provider Agreement between SC and the hospital or ASC, the hospital or ASC has agreed to (i) treat Patient as "in-network" and charge Patient no more than the "in-network" deductible and copayment amounts with respect to such facility fees; (ii) accept as payment in full from Payor an amount based upon Payor's "out-of-network" rates; and (iii) not attempt to bill or collect from Payor more than Payor's "out-of-network" rates. Payor further acknowledges and agrees that Payor does not object to and shall take no adverse action against Patient as a result of patient paying only an "in-network" deductible or copayment amount to an "out-of-network" hospital or ASC. Payor agrees to indemnify and hold Patient harmless from any and all fees, payments, expenses, claims, liabilities, costs or charges of whatever kind or nature, resulting or arising from, related to or caused by Payor's breach of this Section 1(g).

(h)Patented Procedures. Payor acknowledges that there are patents on certain surgical procedures (described in Exhibit “B” attached hereto) which Surgeon may be authorized to perform, and that the patent holder has granted a license to SC with respect to such surgical procedures. Payor acknowledges and agrees that
5 unless it is sub-licensed by SC to do so, Payor may not authorize, direct or pay Surgeon or any other physician to perform the patented procedures. Accordingly, to the extent the Authorization Form authorizes the performance by Surgeon of a patented procedure(s), SC hereby grants to Payor a single use, non-transferable non-exclusive, revocable license to pay Surgeon to perform the patented surgical
10 procedure(s). Except as expressly authorized above, any authorization or payment for performance of the patented surgical procedure(s) is prohibited.

2. SC's Commitments.

5 (a) Surgeon's and Patient's Commitments. SC represents and warrants, first, that
with respect to all Patients whom SC assists to be treated by Surgeon, SC and the
Patient shall have entered into a [Pre-Authorization and Payment Agreement], and
second, that SC and the Surgeon shall have entered into either a Pre-Authorization
and Payment Agreement or a General Terms and Conditions Agreement (Surgeon)
and Authorization Form pursuant to which Surgeon and Patient, respectively,
10 shall have agreed (among other things) as follows:

(i) Surgeon shall have agreed:

15 (1) to acknowledge that SC is also acting as the agent and attorney-in-fact for
the Patient;

(2) to accept as payment in full the Surgeon's Fee, and to not attempt to seek
any additional payment from Payor or Patient; and

20 (3) to resolve any disputes arising out of or in connection with the Pre-
Authorization and Payment Agreement or the General Terms and Conditions
Agreement (Surgeon) and Authorization Form, pursuant to the procedures set forth
in Section 5 of this Agreement.

25 (ii) Patient shall have agreed to:

(1) acknowledge that SC is also acting as the agent and attorney-in-fact for
Surgeon;

(2)pay directly to SC for its services, the applicable copayment amount based upon the allowed amount for the surgical procedure(s) authorized pursuant to the Authorization Form;

5 (3)pay directly to the hospital or ASC the deductible and/or copayment amount with respect to and based upon, the hospital's or ASC's "in network" facility fee;

10 (4)authorize Surgeon to furnish and disclose to SC and Payor, Patient's medical records and information in connection with the surgical procedure(s) set forth in the Authorization Form; and

15 (5)resolve any disputes arising out of or in connection with the Pre-Authorization and Payment Agreement pursuant to the procedures set forth in Section 5 of this Agreement.

20 (b)Case Management. SC agrees that it shall be responsible for interfacing with Surgeon, Patient and Payor including, but not limited to, communicating with Surgeon, Patient and Payor in order to prepare the Authorization Form, reviewing the operative report, and determining (pursuant to Section 1[e]) whether certain pre-authorized surgical procedures should be deleted and not charged to Payor.

25 (c)Claims Submission. Based upon SC's review of the operative report and the pre-authorization and allowed amounts set forth in the Authorization Form, SC shall submit Surgeon's claim for payment to Payor; provided, payor and SC agree that Payor shall pay Surgeon directly and concurrently provide SC with notice of payment.

(d)Facility Fees. SC hereby represents and warrants that if the hospital or ASC where the surgical procedure(s) set forth in the Authorization Form is to be performed is not or is deemed to not be, a contracting, participating provider of Payor, SC shall enter a Preferred Provider Agreement with the hospital or ASC pursuant to which the hospital or ASC will agree to not attempt to bill or collect from Payor an amount greater than the “out-of-network” rates (less applicable copayments and deductibles) for such surgical procedure(s).

3. Term and Termination.

(a)Term. The parties hereto agree that the term of this Agreement shall commence as of the date first set forth above and shall continue for one (1) year. Thereafter, this Agreement shall automatically renew from year-to-year unless terminated sooner as provided below

(b)Termination. Notwithstanding Section 3(a), this Agreement may be terminated by either party, with or without cause, upon thirty (30) days’ prior written notice. The foregoing notwithstanding, a termination notice by Payor shall not become effective before the completion of any surgical procedure(s) Payor has authorized (pursuant to the Authorization Form) for a specific patient. This Agreement may also be terminated for a material breach. In the event a party contends that the other party has breached the Agreement, the complaining party shall give written notice to the other party specifying the nature of the alleged breach. In that event, the allegedly breaching party shall have ten (10) days to cure the alleged breach. If the breach is not cured in such 10-day period, the Agreement shall terminate unless the complaining party extends the time to cure or waives the alleged breach.

4. Independent Contractor Relationship; Practice of Medicine.

The parties hereto, and each of their shareholders, members, officers, directors, partners, employees and other agents, are at all times independent contractors with respect to the other party hereto. Nothing in this Agreement shall be construed to make or render any party or any of its shareholders, members, directors, officers, partners, employees or other agents an employee, agent, partner or joint venturer of or with the other party. Payor and SC acknowledge and agree that (a) Surgeon shall be the only party who makes any decisions regarding the care and treatment of the patient, (b) SC does not practice medicine; (c) SC shall not make or be responsible for any decisions regarding the care and treatment of the patient.

5. Disputes.

(a)Mediation. In the event of a dispute under this Agreement, the parties hereto shall first attempt to resolve the matter by devoting not more than eight (8) hours to non-binding mediation before a neutral mediator to be agreed upon by the disputing parties. The mediation shall be held in the County of Contra Costa, California. The parties agree to select and meet with the mediator within thirty (30) days of a demand for mediation by any party under this Section 5(a). If the parties are unable to resolve their dispute through mediation, they shall have the right to demand arbitration pursuant to Section 5(b) of this Agreement.

(b)Arbitration. Except as may be otherwise provided in Section 6(i) of this Agreement, any controversy or claim arising out of or relating to this Agreement, including the formation, performance, termination or any breach hereof, shall be settled by binding arbitration in accordance with the rules for commercial disputes of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Discovery shall be available in such arbitration to the full extent provided for by the California Code of Civil Procedure with respect to matters litigated in California

5 courts. Such arbitration shall occur within the County of Contra Costa, State of
California, unless the parties mutually agree to have such proceeding in some other
locale. The arbitrator shall make written findings of fact and law and shall have no
authority to make any conclusions of law or award that could not be made by a
10 court of law. In any such arbitration, the arbitrator may award attorneys' fees and
costs to the prevailing party or in such proportions as the arbitrator may allow.
Notwithstanding anything to the contrary in this Agreement, the parties hereto
agree that neither Surgeon nor Patient shall be required to submit to arbitration any
claims for alleged "medical malpractice" as that term is defined in California Code
of Civil Procedure Section 1295.

15 6. General Provisions.

(a) Notices. Any notices required or permitted to be given hereunder by a party
to any other party shall be in writing and may be given by personal delivery, by
facsimile or by registered or certified mail, postage prepaid, return-receipt-
requested. Notices shall be addressed or sent by facsimile to the parties at the
20 addresses and facsimile numbers which follow:

25 **SC:** _____
SC Address _____
Attn: _____
Facsimile No. _____

30 **PAYOR** _____

Facsimile No. _____

35 Any party may change its address or facsimile number for notice by notice given
in accordance with this Section. Notices delivered personally or by facsimile will
be deemed communicated as of actual receipt; mailed notices will be deemed
communicated on the third (3rd) day after proper mailing.

(b) Entire Agreement of the Parties. This Agreement supersedes any and all agreements, either written or oral, between the parties hereto with respect to the subject matter of this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by any other party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing signed by the party to be charged.

(c) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force and effect, unless such invalidity would defeat an essential business purpose of this Agreement.

(d) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California.

(e) Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns. Neither party may assign this Agreement nor any of its rights or obligations hereunder, without the prior written consent of the other party. Any assignment or delegation in contravention of this provision shall be null and void.

(f) Attorney's Fees. Should any party to this Agreement institute any arbitration or other action or proceeding, to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the arbitrator or court may award the prevailing party in any such arbitration, action or proceeding its costs and

expenses, including without limitation reasonable attorney's fees, incurred by the prevailing party in such arbitration, action or proceeding.

5 (g) Amendment. This Agreement may not be amended, supplemented, modified or restated except by a writing signed by all of the parties hereto.

10 (h) Third Party Beneficiaries. Except for Payor, Patient, SC and Surgeon and their respective successors or assigns, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any person, firm, corporation or entity, any remedy or claim under or by reason of this Agreement or any term, covenant or condition hereof, as third party beneficiaries or otherwise, and all of the terms, covenants and conditions hereof shall be for the sole and exclusive benefit of Payor, Patient, SC and Surgeon and their successors and assigns.

(i) Proprietary Information.

5 (i) Except as provided in Section 2(a)(ii)(4), of this Agreement, at all times during and after the term of this Agreement, Payor shall maintain the confidentiality of all information regarding SC and Patient including, but not limited to, this Agreement, SC's idea and concept for assisting patients to be treated by the physician of their choice without having a financial disincentive in the form of higher copayments and deductibles, (the "Idea") and the Patient's name, address, and telephone number and medical records, and shall not disclose
10 such information to any person not a party to this Agreement other than to a party's legal counsel or accountant. Payor acknowledge(s) and agrees that such information with respect to SC constitutes confidential and proprietary information and a trade secret within the meaning of the Uniform Trade Secrets Act (the "Act") contained in California Civil Code Sections 3426 et seq; and that such information
15 with respect to the Patient constitutes confidential medical record information within the meaning of Civil Code Section 56 et seq. At all times during and after the term of this Agreement, unless it is necessary to do so in order for Payor to be able to carry out the terms of this Agreement or is otherwise permitted pursuant to Section 2(a)(ii)(4), of this Agreement, Payor shall not disclose, reveal, divulge,
20 distribute or make known or use or exploit any confidential or propriety information regarding the Patient or SC for his or her own benefit or gain.

25 (ii) Payor agrees that the Idea, this Agreement and SC's related confidential and proprietary information to be disclosed to Payor constitute items of substantial value to SC and any unauthorized use or disclosure thereof in breach or violation of the covenants contained herein will result in substantial damages to SC, which damages SC may seek to redress through the commencement of legal proceedings against Payor. In addition to the covenants contained herein and any other
30 remedies available at law or in equity, SC shall receive all of the protections and

be afforded all of the remedies available under the Act. Further, Payor agrees that the covenants and restrictions set forth herein: (i) are necessary, fundamental and required for the protection of SC's Idea and related confidential and proprietary information, and (ii) relate to matters which may be of an extraordinary character that give such covenants a special, unique value. A material breach of any of these covenants may result in irreparable harm and damage which cannot be adequately compensated by a monetary award. Accordingly and notwithstanding Section 5(a) and 5(b) of this Agreement, in addition to all other remedies available at law or in equity, SC shall be entitled to the immediate remedy of a temporary restraining order, preliminary injunction or such other form of temporary or permanent injunctive or equitable relief as may be issued by a court of competent jurisdiction to restrain or enjoin a breach of all or any portion of the covenants contained herein or to specifically enforce the provisions hereof, without proof of actual damage.

(iii) The provisions of this Section 6(i) shall survive the termination or expiration of this Agreement.

(j) Headings. The subject headings of the Sections of this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

(k) Interpretation. No party to this Agreement shall be deemed the drafter of this Agreement. If this Agreement is ever interpreted or construed by a court of law or arbitrator, such court or arbitrator shall not construe this Agreement or any provision hereof against any party as drafter.

(l) Counterparts. This Agreement may be executed in multiple counterparts, each of which should be deemed to be an original and all of which taken together shall

constitute a single instrument. A facsimile or electronic signature shall be deemed an original signature for all purposes.

5 (m) Time of the Essence. The parties acknowledge and agree that time is of the essence in the performance of their respective duties and obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of
the date and year first written above.

5 “SC”

By: _____

10 Print Name

Title

15

“PAYOR”

20 _____ (Insurance Company)

By: _____

25 Print Name

Title

EXHIBIT "A"

PRE-AUTHORIZATION AGREEMENT (PAYOR)

[To Be Signed Only If a General Terms and Conditions Agreement (Payor) Has
Been Signed]

This Pre-Authorization Agreement is entered into by and between SC Financial Services, Inc. ("SC") and _____ [Insurance Company] ("Payor"), and shall be effective as of the latest of the dates set forth below.

1. The parties hereto agree that the surgical procedure(s) and codes set forth below are hereby authorized to be performed on the patient named below ("Patient") and that the financial responsibility of the Patient and Payor with respect to such procedure(s) and codes are as set forth below.

2. Patient Name: _____

3. Policy Number: _____

4. Procedure(s): _____

5. The parties agree that the following codes and amounts are pre-authorized and agreed upon:

Code	Description	Amount

6. Total allowed amount:

7. Payor agrees that it shall pay the Patient's Surgeon the following portion
\$ _____
of the allowed amount, payment to be made within thirty (30) days of receipt of
proof that the procedure(s) has been performed :
- 5
8. The parties agree that Patient shall be responsible to pay SC the
following copayment amount: \$ _____
- 10
9. In addition to the amount to be paid to the Patient's Surgeon, Payor
agrees to pay (a) the "in network" contracting physician fee to other
physicians (e.g. assistant surgeon, anesthesiologist, radiologist and
pathologist) who render pre-, intra- or post-operative services in
connection with the surgical procedure(s) set forth above, and (b) pay the
15 hospital or ambulatory care center where the procedure(s) is performed
as provided in Section 1 (g) of the General Terms.
10. The parties agree that the procedure(s) described above shall be
performed on: _____
- 20
11. The parties hereto agree that the terms and conditions set forth in the
General Terms and Conditions Agreement (Payor), dated _____, 200__,
entered into between the parties hereto (the "General Terms"), are hereby
25 expressly incorporated by this reference into and shall be a part of this Pre-
Authorization Agreement, and shall be binding upon the parties.

12. Payor agrees that by executing this Pre-Authorization Agreement, Payor irrevocably waives any and all rights which it otherwise might have, in law and in equity, to subsequently (a) claim that the procedure(s) and codes authorized herein were not a covered service under the Patient's health insurance benefits from Payor; (b) claim that the Patient was not insured by or otherwise eligible for health insurance benefits from Payor; (c) except as expressly permitted by Section 1(e) of the General Terms, attempt to reduce or not pay the full amount for which Payor is responsible pursuant to Section 7 of this Pre-Authorization Agreement; or (d) claim that the procedure(s) or codes were not authorized. Patient, the Patient's Surgeon and SC shall be entitled to conclusively rely upon this Pre-Authorization Agreement for the delivery of and payment for the pre-authorized procedure(s), codes and services set forth herein.

SC Financial Services, Inc.
_____ [Insurance Company]

By: _____

By: _____

Its: _____

Its: _____

Dated: _____, 200__

Dated: _____, 200__

ALTERNATIVE EXHIBIT "A "

SC

Authorization Form

Patient Name:

Policy number:

Procedure:

[illegible]

Total allowed amount \$ _____

Payor Payment \$ _____

Patient Copay \$ _____

- 5 Add: (1) Signature Blocks
(2) Incorporation of General Terms
(3) Date surgery to be performed

EXHIBIT "B"

5

1. Knowlton, E.W. U.S. Patent No. 5,301,692, April 12, 1994. Method for Total Immediate Post-Mastectomy Breast Reconstruction Using a Latissimus Dorsi Myocutaneous Flap.

10

2. Knowlton, E.W. U.S. Patent No. 5,765,567, June 16, 1998. Surgical Method for Breast Reconstruction Using a Tissue Flap.

3. Knowlton, E.W. U.S. Patent No. 5,824,076, Oct 20, 1998. Surgical Method for Breast Reconstruction Using a Neovascular Tissue Peg.

15

APPENDIX X

GENERAL TERMS AND CONDITIONS AGREEMENT (SURGEON)

5

This General Terms and Conditions Agreement (Surgeon) (the "Agreement") is entered into as of this _____ day of 200__, by and between _____, M.D., a physician and surgeon duly licensed to practice medicine in the State of _____ ("Surgeon"), and SC Financial Services [Inc.], a California [Corporation] ("SC"), with reference to the following facts:

10

15

A. Patients who desire to be treated by Surgeon have a financial disincentive to do so because Surgeon is not a contracting provider with the party responsible for paying for the patient's medical needs (e.g., insurance carriers, self-insured employers, pre-paid plans and third party administrators ["Payors"]). That is, if the patient chooses an "out-of-network" physician, he or she will be required to pay significantly higher deductibles and copayment amounts.

20

B. SC is in the business of assisting patients who want to be treated by the physician of their choice to be able to do so without being financially penalized in the form of higher copayments and deductibles.

25

C. SC assists patients to be seen by the physician of their choice by arranging with Payors to pay the physician (and the hospital or ambulatory surgery center where the surgery will be performed) based upon the "in network" percentage of the allowed amount paid to contracting providers of Payor, subject to the physician and patient agreeing to certain terms and conditions.

D. The parties hereto desire to set forth the general terms and conditions that will apply with respect to professional medical services that may be rendered by Surgeon to patients with respect to whom SC arranges for the Surgeon to be paid as an "in network" physician.

5

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

10

1. Surgeon's Commitments.

15

(a) Authorization Form. Before performing any surgical procedure(s) for a patient who SC is assisting to be treated by Surgeon, Surgeon shall execute an authorization form (the "Authorization Form") setting forth the specific surgical procedure(s) that Surgeon is authorized to perform for the patient and the amount to be paid for such surgical procedure(s). The Authorization Form shall be substantially the same as Exhibit "A" attached hereto.

20

25

(b) Surgeon's Fee. Surgeon agrees to accept as payment in full the percentage of the allowed amounts set forth in the Authorization Form that will be prepared with respect to each patient for whom Surgeon is authorized to perform the surgical procedure(s) (the "Surgeon's Fee").

(c) No Balance Billing. With respect to the surgical procedure(s) set forth in each patient's Authorization Form, Surgeon agrees to not attempt to bill or collect from the patient or

Payor any payment, copayment, surcharge, compensation or fee other than the Surgeon's Fee.

(d) Reduction of Surgeon's Fee. Surgeon acknowledges and agrees that SC shall review the operative report to be prepared by Surgeon pursuant to Section 1(g) of this Agreement. Surgeon agrees that if SC determines that a less complex surgical procedure was actually performed than was pre-authorized pursuant to the Authorization Form, the Surgeon's Fee shall be subject to downward adjustment by SC for deleted codes. SC shall have the right to determine, in its sole and absolute discretion, whether to make a downward adjustment. Surgeon hereby agrees to irrevocably waive any rights it might otherwise have under law or equity to challenge or dispute any such downward adjustment by SC. Surgeon further agrees that he or she shall have no right to any additional payment amount for procedures not expressly authorized pursuant to the Authorization Form even if a more complex surgical procedure is required to be and is actually performed by Surgeon.

(e) Attorney-In-Fact. Surgeon hereby appoints SC to act as its agent and attorney-in-fact in order to carry out the terms of this Agreement. Surgeon agrees that SC shall not be liable for, and shall be released from, any lawsuits, damages, expenses, claims or liabilities of any kind or nature, in connection with, arising out of or in any way related to SC's acts or failures to act on behalf of Surgeon; provided that the foregoing release shall not apply to any conduct by SC that constitutes a criminal act or gross negligence. Surgeon acknowledges that SC is also acting as the agent and attorney-in-fact for patients. Surgeon hereby consents

to such dual representation and waives any actual or potential conflict of interest that may result therefrom.

5 (f) Representations and Warranties. Surgeon represents and
warrants that he or she (i) maintains a valid and unrestricted
license to practice medicine in the State of
_____ ; (ii) as a result of training, education and
experience, is competent to perform all surgical procedures that
he or she is authorized and agrees to perform pursuant to the
10 Authorization Form; (iii) maintains professional liability
(malpractice) insurance in the minimum amounts of \$1,000,000
per occurrence and \$3,000,000 in the aggregate for the policy
year; (iv) has never had his or her license to practice medicine,
DEA registration certificate and number, medical staff privileges
15 at any hospital or ambulatory surgery center, or provider
agreement or status with the Medicare or Medicaid programs
restricted, suspended, revoked, terminated or not renewed; (v) is
an active member in good standing of the medical staff of the
hospital or ambulatory surgery center where the surgical
20 procedures set forth in the Authorization Form are to be
performed, and has been granted the clinical privileges at such
facility necessary to perform such surgical procedures; (vi) has a
current federal DEA registration certificate and number; (vii) is
certified by the appropriate American Board of Medical
25 Specialties or by training and experience has the skills necessary
to perform the surgical procedures authorized pursuant to the
Authorization Form; and (viii) has accurately and fully completed
the Credential Information Form provided by SC to Surgeon.

30 (g) Operative Report. Surgeon shall complete an operative
report with respect to each patient for whom the surgical

procedure(s) authorized in Authorization Form have been performed. Surgeon shall provide the operative report to SC within seven (7) days of performing the authorized surgical procedure(s).

5

(h) Performance of Surgery. Except in the event Surgeon determines that it would be medically inappropriate to do so, Surgeon shall perform the surgical procedure(s) authorized in the Authorization Form at the time and date agreed upon by the patient, Surgeon and SC.

10

(i) Other Physicians. Surgeon agrees that any other physicians (e.g. anaesthesiologists, radiologists or pathologists) he or she utilizes for pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in the Authorization Form shall meet the requirements set forth in Section 1(f) of this Agreement. Surgeon acknowledges and agrees, and shall so notify any such other physicians, that neither SC nor the patient has any payment or other financial obligation to them.

15

20

(j) Medical Records. Surgeon shall maintain with-respect to each patient a single standard medical record in such form, containing such information, and preserved for such time period(s) as are required by applicable state and federal law. In addition to the requirements set forth in Section 1(g) of this Agreement, to the extent permitted by law, in accordance with procedures required by law, and upon receipt of three (3) business days' prior written notice by SC, Surgeon shall permit a representative of SC to inspect and make copies of said records, and shall promptly provide copies of such records to SC upon request.

25

30

(k) Patented Procedures. Surgeon acknowledges that there are patents on certain surgical procedures (described in Exhibit "B" attached hereto) which Surgeon may be authorized to perform, and that the patent holder has granted a license to SC with respect to such surgical procedures. Surgeon acknowledges and agrees that unless he or she is sub-licensed by SC to do so, Surgeon may not perform the patented procedures. Accordingly, to the extent the Authorization Form authorizes the performance by Surgeon of a patented procedure(s), SC hereby grants to Surgeon a single use, non-transferable, non-exclusive, revocable license to perform the patented surgical procedure(s). Except as expressly authorized above, any use or performance of the patented surgical procedure(s) is prohibited.

2. SC's Commitments.

(a) Payor's and Patient's Commitments. SC represents and warrants, first, that with respect to all patients whom SC assists to be treated by Surgeon, SC and the patient shall have entered into a Pre-Authorization and Payment Agreement, and second, that SC and the applicable Payor shall have entered into either a Pre-Authorization and Payment Agreement or a General Terms and Conditions Agreement (Payor) and Authorization Form pursuant to which Payor and Patient, respectively, shall have agreed (among other things) as follows:

(i) Payor shall have agreed:

(1)to authorize Surgeon to perform the surgical procedure(s) and to pay Surgeon based upon the allowed amounts set forth in the Authorization Form;

5 (2) to pay the “in network”, contracting physician fee to any other physicians (e.g., anesthesiology, radiology and pathology) who render pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in the Authorization Form;

10

(3)to pay the “in network”, participating provider fee to the hospital or ambulatory surgery center (“ASC”) where the surgical procedure(s) set forth in the Authorization Form is performed.

15

(4)to pay the Surgeon’s Fee directly to Surgeon within thirty (30) calendar days of receipt from SC of the Surgeon’s operative report;

20

(5)that Payor shall not have the right to reduce or deny payment of the Surgeon’s Fee after the surgical procedure(s) has been performed; and

25

(6)to resolve any disputes arising out of or in connection with the Pre-Authorization and Payment Agreement or a General Terms and Conditions Agreement (Payor) and the Authorization Form, pursuant to the procedures set forth in Section 5 of this Agreement.

30

(ii) Patient shall have agreed to:

(1)acknowledge that SC is also acting as the agent and attorney-in-fact for Surgeon;

5 (2)pay directly to SC for its services, the applicable copayment amount based upon the allowed amount for the surgical procedure(s) authorized pursuant to the Authorization Form;

10 (3)pay directly to the hospital or ASC the deductible and/or copayment amount with respect to and based upon, the hospital's or ASC's "in network" facility fee;

15 (4)authorize Surgeon to furnish and disclose to SC and Payor, Patient's medical records and information in connection with the surgical procedure(s) set forth in the Authorization Form; and

20 (5)resolve any disputes arising out of or in connection with the Pre-Authorization and Payment Agreement pursuant to the procedures set forth in Section 5 of this Agreement.

25 (b)Case Management. SC agrees that it shall be responsible for interfacing with Surgeon, Patient and Payor including, but not limited to, communicating with Surgeon, Patient and Payor in order to prepare the Authorization Form, reviewing the operative report, and determining (pursuant to Section 1[d]) whether certain pre-authorized surgical procedures should be deleted and not charged to Payor.

30 (c)Claims Submission. Based upon SC's review of the operative report and the pre-authorization and allowed amounts

set forth in the Authorization Form, SC shall submit Surgeon's claim for payment to Payor; provided, Surgeon agrees that Payor shall pay Surgeon directly and concurrently provide SC with notice of payment.

5

3. Term and Termination.

(a)Term. The parties hereto agree that the term of this Agreement shall commence as of the date first set forth above and shall continue for one (1) year. Thereafter, this Agreement shall automatically renew from year-to-year unless terminated sooner as provided below

10

15

20

25

(b)Termination. Notwithstanding Section 3(a), this Agreement may be terminated by either party, with or without cause, upon thirty (30) days' prior written notice. The foregoing notwithstanding, a termination notice by Surgeon shall not become effective before the completion of any surgical procedure(s) Surgeon has agreed (pursuant to the Authorization Form) to perform for a specific patient. This Agreement may also be terminated for a material breach. In the event a party contends that the other party has breached the Agreement, the complaining party shall give written notice to the other party specifying the nature of the alleged breach. In that event, the allegedly breaching party shall have ten (10) days to cure the alleged breach. If the breach is not cured in such 10-day period, the Agreement shall terminate unless the complaining party extends the time to cure or waives the alleged breach.

30

4. Independent Contractor Relationship; Practice of Medicine.

The parties hereto, and each of their shareholders, members, officers, directors, partners, employees and other agents, are at all times independent contractors with respect to the other party hereto. Nothing in this Agreement shall be construed to make or
5 render any party or any of its shareholders, members, directors, officers, partners, employees or other agents an employee, agent, partner or joint venturer of or with the other party, except as expressly provided in Section 1(e) of this Agreement. Surgeon and SC acknowledge and agree that (a) Surgeon shall be the only
10 party who makes any decisions regarding the care and treatment of the patient, (b) SC does not practice medicine; (c) SC shall not make or be responsible for any decisions regarding the care and treatment of the patient.

5. Disputes.

5 (a) Mediation. In the event of a dispute under this Agreement, the parties hereto shall first attempt to resolve the matter by devoting not more than eight (8) hours to non-binding mediation before a neutral mediator to be agreed upon by the disputing parties. The mediation shall be held in the County of Contra Costa, California. The parties agree to select and meet with the mediator within thirty (30) days of a demand for mediation by any party under this Section 5(a). If the parties are unable to resolve their dispute through mediation, they shall have the right to demand arbitration pursuant to Section 5(b) of this Agreement.

15 (b) Arbitration. Except as may be otherwise provided in Section 6(i) of this Agreement, any controversy or claim arising out of or relating to this Agreement, including the formation, performance, termination or any breach hereof, shall be settled by binding arbitration in accordance with the rules for commercial disputes of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Discovery shall be available in such arbitration to the full extent provided for by the California Code of Civil Procedure with respect to matters litigated in California courts. Such arbitration shall occur within the County of Contra Costa, State of California, unless the parties mutually agree to have such proceeding in some other locale. The arbitrator shall make written findings of fact and law and shall have no authority to make any conclusions of law or award that could not be made by a court of law. In any such arbitration, the arbitrator may award attorneys' fees and costs to the prevailing party or in such

proportions as the arbitrator may allow. Notwithstanding anything to the contrary in this Agreement, the parties hereto agree that neither Surgeon nor Patient shall be required to submit to arbitration any claims for alleged "medical malpractice" as that term is defined in California Code of Civil Procedure Section 1295.

6. General Provisions.

(a) Notices. Any notices required or permitted to be given hereunder by a party to any other party shall be in writing and may be given by personal delivery, by facsimile or by registered or certified mail, postage prepaid, return-receipt-requested. Notices shall be addressed or sent by facsimile to the parties at the addresses and facsimile numbers which follow:

SC: _____

SC address: _____

Attn: _____

Facsimile No. _____

SURGEON: _____

Facsimile No. _____

Any party may change its address or facsimile number for notice by notice given in accordance with this Section. Notices delivered personally or by facsimile will be deemed

communicated as of actual receipt; mailed notices will be deemed communicated on the third (3rd) day after proper mailing.

5 (b) Entire Agreement of the Parties. This Agreement
supersedes any and all agreements, either written or oral, between
the parties hereto with respect to the subject matter of this
Agreement. Each party to this Agreement acknowledges that no
representations, inducements, promises or agreements, oral or
otherwise, have been made by any other party, or anyone acting
10 on behalf of any party, which are not embodied herein, and that
no other agreement, statement, or promise not contained in this
Agreement shall be valid or binding. Any modification of this
Agreement will be effective only if it is in writing signed by the
party to be charged.

15

(c) Severability. If any provision of this Agreement is held by a
court of competent jurisdiction to be invalid, void or
unenforceable, the remaining provisions will nevertheless
continue in full force and effect, unless such invalidity would
20 defeat an essential business purpose of this Agreement.

(d) Governing Law. This Agreement will be governed by and
construed in accordance with the laws of the State of California.

25 (e) Assignment. This Agreement shall be binding upon and
shall inure to the benefit of the parties and their respective heirs,
legal representatives, successors and assigns. Neither party may
assign this Agreement nor any of its rights or obligations
hereunder, without the prior written consent of the other party.
30 Any assignment or delegation in contravention of this provision
shall be null and void.

(f) Attorney's Fees. Should any party to this Agreement institute any arbitration or other action or proceeding, to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the arbitrator or court may award the prevailing party in any such arbitration, action or proceeding its costs and expenses, including without limitation reasonable attorney's fees, incurred by the prevailing party in such arbitration, action or proceeding.

(g) Amendment. This Agreement may not be amended, supplemented, modified or restated except by a writing signed by all of the parties hereto.

(h) Third Party Beneficiaries. Except for Payor, the patient, SC and Surgeon and their respective successors or assigns, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any person, firm, corporation or entity, any remedy or claim under or by reason of this Agreement or any term, covenant or condition hereof, as third party beneficiaries or otherwise, and all of the terms, covenants and conditions hereof shall be for the sole and exclusive benefit of Payor, the patient, SC and Surgeon and their successors and assigns.

(i) Proprietary Information.

(i) Except as provided in Section 2(a)(ii)(4), of this Agreement, at all times during and after the term of this Agreement, Surgeon shall maintain the confidentiality of all information regarding SC and the patient including, but not

limited to, this Agreement, SC's idea and concept for assisting patients to be treated by the physician of their choice without incurring a financial penalty in the form of higher copayments and deductibles, (the "Idea") and the patient's name, address, and telephone number and medical records, and shall not disclose such information to any person not a party to this Agreement other than to a party's legal counsel or accountant. Surgeon acknowledge(s) and agrees that such information with respect to SC constitutes confidential and proprietary information and a trade secret within the meaning of the Uniform Trade Secrets Act (the "Act") contained in California Civil Code Sections 3426 et seq; and that such information with respect to the patient constitutes confidential medical record information within the meaning of Civil Code Section 56 et seq. At all times during and after the term of this Agreement, unless it is necessary to do so in order for Surgeon to be able to carry out the terms of this Agreement or is otherwise permitted pursuant to Section 2(a)(ii)(4), of this Agreement, Surgeon shall not disclose, reveal, divulge, distribute or make known or use or exploit any confidential or propriety information regarding the patient or SC for his or her own benefit or gain.

(ii) Surgeon agrees that the Idea, this Agreement and SC's related confidential and proprietary information to be disclosed to Surgeon constitute items of substantial value to SC and any unauthorized use or disclosure thereof in breach or violation of the covenants contained herein will result in substantial damages to SC, which damages SC may seek to redress through the commencement of legal proceedings against Surgeon. In addition to the covenants contained herein and any other remedies

available at law or in equity, SC shall receive all of the
protections and be afforded all of the remedies available under the
Act. Further, Surgeon agrees that the covenants and restrictions
set forth herein: (i) are necessary, fundamental and required for
the protection of SC's Idea and related confidential and
proprietary information, and (ii) relate to matters which may be
of an extraordinary character that give such covenants a special,
unique value. A material breach of any of these covenants may
result in irreparable harm and damage which cannot be adequately
compensated by a monetary award. Accordingly and
notwithstanding Section 5(a) and 5(b) of this Agreement, in
addition to all other remedies available at law or in equity, SC
shall be entitled to the immediate remedy of a temporary
restraining order, preliminary injunction or such other form of
temporary or permanent injunctive or equitable relief as may be
issued by a court of competent jurisdiction to restrain or enjoin a
breach of all or any portion of the covenants contained herein or
to specifically enforce the provisions hereof, without proof of
actual damage.

(iii) The provisions of this Section 6(i) shall survive the
termination or expiration of this Agreement.

(j) Headings. The subject headings of the Sections of this
Agreement are included for purposes of convenience only and
shall not affect the construction or interpretation of any of its
provisions.

(k) Interpretation. No party to this Agreement shall be deemed
the drafter of this Agreement. If this Agreement is ever

interpreted or construed by a court of law or arbitrator, such court or arbitrator shall not construe this Agreement or any provision hereof against any party as drafter.

5 (l) Counterparts. This Agreement may be executed in multiple counterparts, each of which should be deemed to be an original and all of which taken together shall constitute a single instrument. A facsimile or electronic signature shall be deemed an original signature for all purposes.

10 (m) Time of the Essence. The parties acknowledge and agree that time is of the essence in the performance of their respective duties and obligations under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

15

“SC”

SC Financial Services [, Inc.?]

20 By: _____

Print Name

25 _____

Title

30 “SURGEON”

Print Name

EXHIBIT "A"

PRE-AUTHORIZATION AGREEMENT (SURGEON)

[To Be Signed Only If a General Terms and Conditions
Agreement (Surgeon) Has Been Signed]

This Pre-Authorization Agreement is entered into by and
between SC Financial Services, Inc. ("SC") and _____,
M.D. ("Surgeon"), and shall be effective as of the latest of the
dates set forth below.

1. The parties hereto agree that the surgical procedure(s) and
codes set forth below are hereby authorized to be performed on
the patient named below ("Patient") and that the financial
responsibility of the Patient and _____ [Insurance
Company] ("Payor") with respect to such procedure(s) and codes
are as set forth below.

Patient Name _____

3. Policy Number: _____

4. Procedure(s): _____

The parties agree that the following codes and amounts are pre-authorized and agreed upon:

Code	Description	Amount

- 5 6. Total allowed amount: \$
7. Surgeon agrees to accept as payment in full the following portion of the allowed amount (the "Surgeon's Fee"): \$_____

- 10 8. Surgeon agrees that the procedure(s) described above shall be performed on _____, and that Surgeon shall complete the operative report and provide it to SC by _____.

- 15
9. Surgeon agrees that the Surgeon's Fee set forth in Section 7, above, is subject to downward adjustment by SC if a less complex surgical procedure is actually performed by Surgeon.

- 20
10. Surgeon agrees that he shall not attempt to bill or collect from Patient or Payor any payment, copayment, surcharge, deductible, compensation or fee other than the Surgeon's Fee.
- 25

11. The parties hereto agree that the terms and conditions set forth in the General Terms and Conditions

Agreement (Surgeon), dated _____, 200____,
entered into between the parties hereto (the "General
Terms"), are hereby expressly incorporated by this
reference into and shall be a part of this Pre-
Authorization Agreement, and shall be binding upon
the parties.

12. Surgeon agrees that any other physicians (e.g., assistant
surgeons, anesthesiologists, radiologists, or
pathologists) he utilizes for pre-, intra- or post-operative
services in connection with the procedure(s) authorized
above, shall meet the requirements set forth in Section
1(f) of the General Terms.

13. Surgeon acknowledges and agrees that to the extent the
procedure(s) authorized above is a patented surgical
procedure(s), SC hereby grants to Surgeon a single use,
non-transferable, non-exclusive, revocable license to
perform the patented surgical procedure(s), and that any
other use or performance of such patented surgical
procedure(s) is prohibited.

14. Patient, the Payor and SC shall be entitled to
conclusively rely upon this Pre-Authorization
Agreement for the delivery of and payment for the pre-
authorized procedure(s), codes and services set forth
herein.

SC Financial Services, Inc.

By: _____, M.D.

Its: _____ Signature: _____

Dated: _____, 200____

Dated: _____, 200____

EXHIBIT "B"

1. Knowlton, E.W. U.S. Patent No. 5,301,692, April 12, 1994. Method for Total Immediate Post-Mastectomy Breast Reconstruction Using a Latissimus Dorsi Myocutaneous Flap.
- 5 2. Knowlton, E.W. U.S. Patent No. 5,765,567, June 16, 1998. Surgical Method for Breast Reconstruction Using a Tissue Flap.
3. Knowlton, E.W. U.S. Patent No. 5,824,076, Oct 20, 1998. Surgical Method for Breast Reconstruction Using
10 a Neovascular Tissue Peg.

15

APPENDIX XI

PRE-AUTHORIZATION AND PAYMENT AGREEMENT (NO. 3)

5

This Pre-Authorization and Payment Agreement (No. 3) (the
“Agreement”) is entered into as of this _____ day of 200__, by
and between _____ [Insurance
Company], a _____ [Corporation] (“Payor”),
10 _____, an individual person (“Patient”),
and SC Financial Services [Inc.], a California [Corporation]
 (“SC”), with reference to the following facts:

15

A. Patient and Payor desire that Patient be treated by a qualified
surgeon of his or her choice.

B. Patient desires to choose a surgeon (the “Surgeon”) who may
not be a contracting provider of Payor.

20

C. Payor desires to assist Patient to be seen by Surgeon by
agreeing to pay Surgeon based upon the “in network” percentage
of the allowed amount paid to contracting providers of Payor.

25

D. Patient desires to establish prior to the performance of the
surgical procedure by Surgeon, the co-payment amount he or she
will be required to pay for the procedure.

E. Prior to performing the surgical procedure, Surgeon desires
to confirm that the procedure has been authorized by Payor, and

to establish the amount Payor will pay Surgeon for the authorized procedure.

5 F. Prior to the performance of the surgical procedure, Payor desires to establish the maximum amount that it will be obligated to pay Surgeon for the procedure.

10 G. All of the parties desire to avoid any potential, post-surgery disputes with respect to the medical necessity for the surgical procedure, Patient's eligibility and coverage for the procedure, the authorization to perform the procedure, the allowed amount for the procedure, Patient's financial responsibility for the procedure, and the amount to be paid to Surgeon for the procedure.

15 NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agrees as follows:

20 1. Payor's Commitments.

25 (a)Pre-Authorization. Payor authorizes Surgeon to perform the surgical procedure(s), and agrees to pay Surgeon based upon the allowed amounts set forth in the Authorization Form attached hereto and designated as Exhibit "A."

30 (b)Surgeon's Fee. Subject only to the adjustment described in Section 1(e), below, Payor agrees that it shall pay Surgeon _____ percent (___%) of the allowed amounts set forth in

Exhibit "A" for the surgical procedure(s) set forth in Exhibit "A" (the "Surgeon's Fee"). Accordingly, Payor agrees that Patient shall be liable for a copayment equal to _____ percent (____%) of the allowed amount for the surgical procedures described in Exhibit "A" (subject only to the adjustment described in Section 1[e]). Payor agrees that Patient shall not be liable to pay Surgeon for any deductible amount in connection with the surgical procedures authorized pursuant to Exhibit "A." Payor agrees that except as provided in Section 1(e), it shall have no right to reduce or not pay in full the Surgeon's Fee.

(c) Fees of Other Professionals. Payor agrees that it will pay the "in network," contracting physician fee to any other physicians (e.g., anesthesiology, radiology and pathology) who render pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in Exhibit "A."

(d) Timing of Payment. Payor agrees to pay the Surgeon's Fee directly to Surgeon within thirty (30) calendar days of receipt from SC of the operative report or other satisfactory proof that the surgical procedure(s) authorized in Exhibit "A" have been performed.

(e) Adjustment to Surgeon's Fee. As set forth in Section 3, SC agrees that it shall review the operative report prepared by Surgeon. If SC determines that a less complex surgical procedure was actually performed than was pre-authorized by Payor pursuant to Exhibit "A," the claim for payment that SC submits to Payor on behalf of Surgeon shall not include, and Payor shall not be required to pay for, the surgical codes which have been

deleted. In that event, the Surgeon's Fee shall be adjusted downward to reflect the deleted codes. SC agrees that Payor shall not be required to pay Surgeon any additional amount for procedures not expressly pre-authorized pursuant to Exhibit "A," even if a more complex surgical procedure is required to be and is actually performed by Surgeon.

(f) No Retroactive Denial. Except as provided in Section 1(e), Payor agrees that it shall not have any right to reduce or deny payment of the Surgeon's Fee after the surgical procedure has been performed. By executing this Agreement and Exhibit "A," Payor irrevocably waives the right to later claim that at the time the authorized surgical procedure was performed, Patient was not insured by or otherwise eligible for health insurance benefits from Payor.

(g) Third Party Beneficiary. Payor agrees that Surgeon is expressly intended to and shall be a third party beneficiary of this Agreement.

(h) Facility Fee. If the hospital or ambulatory surgery center ("ASC") where the surgical procedure(s) set forth in the Authorization Form is to be performed is a contracting, participating provider with Payor, Payor agrees that it (i) will pay the "in network," participating provider fee to the hospital or ASC; and (ii) take whatever steps are necessary to ensure that the hospital or ASC treats Patient as being "in network" and charges Patient no more than the "in network" deductible and copayment amounts with respect to facility fees. If the hospital or ASC where the surgical procedure(s) is to be performed is not or is

deemed to not be, a contracting, participating provider with Payor, Payor acknowledges that pursuant to the Preferred Provider Agreement between SC and the hospital or ASC, the hospital or ASC has agreed to (i) treat Patient as “in-network” and charge Patient no more than the “in-network” deductible and copayment amounts with respect to such facility fees; (ii) accept as payment in full from Payor an amount based upon Payor’s “out-of-network” rates; and (iii) not attempt to bill or collect from Payor more than Payor’s “out-of-network” rates. Payor further acknowledges and agrees that Payor does not object to and shall take no adverse action against Patient as a result of patient paying only an “in-network” deductible or copayment amount to an “out-of-network” hospital or ASC. Payor agrees to indemnify and hold Patient harmless from any and all fees, payments, expenses, claims, liabilities, costs or charges of whatever kind or nature, resulting or arising from, related to or caused by Payor’s breach of this Section 1(g).

2. Patient’s Commitments.

(a) Appointment of SC. Patient hereby authorizes and directs SC to act as his or her agent and attorney-in-fact with respect to the subject matter of this Agreement; provided, Patient agrees that SC shall not be liable for, and shall be released from, any lawsuits, damages, expenses, claims or liabilities of any kind or nature, in connection with, arising out of or in anyway related to SC’s acts or failures to act on behalf of Patient; provided, that the foregoing release shall not apply to any conduct by SC that constitutes a criminal act or gross negligence. Patient acknowledges that SC is also acting as the agent and attorney-in-

fact for Surgeon in connection with this Agreement. Patient hereby consents to such dual representation and waives any actual or potential conflict of interest that may result therefrom.

5 (b) Copayment Responsibility.

 (i) Professional Fee. Patient agrees that he or she shall be responsible to pay an amount equal to _____ (____%) of the allowed amount for the procedure(s) approved by Payor and
10 SC pursuant to Section 1 (the "Copayment"). Patient shall pay the Copayment to SC for its services pursuant to this Agreement. Patient agrees that he or she shall not have the right to claim that Payor is required to pay Surgeon a greater portion or percentage of the allowed amount for the surgical procedure(s) authorized
15 pursuant to Exhibit "A." Patient agrees that he or she shall pay or arrange for the payment of the Copayment to SC prior to the performance of the surgical procedure. Such payment shall be made either by cash, check or credit card. In the event that the Surgeon's Fee is subsequently reduced because surgical codes
20 have been deleted by SC pursuant to Section 1(e), SC shall promptly refund to Patient the portion of the Copayment amount paid by Patient with respect to such deleted codes.

 (ii) Facility Fee. Patient agrees that he or she shall be
25 responsible to pay directly to the hospital or ASC the deductible and/or copayment amount with respect to and based upon, the hospital's or ASC's "in network" facility fee.

(c)Third Party Beneficiary. Patient agrees that Surgeon is expressly intended to and shall be a third party beneficiary of this Agreement.

5 (d)Release of Medical Information. Notwithstanding Section
56.10 of the California Civil Code or any other applicable state or
federal law, Patient hereby authorizes Surgeon to furnish and
disclose to SC and to Payor, and authorizes SC to furnish and
disclose to Payor and Surgeon, Patient's medical records and
10 information in connection with the surgical procedures(s)
authorized pursuant to Exhibit "A". Patient hereby agrees that
SC, Payor and Surgeon shall not be liable for, and shall be
released from, any lawsuit, damages, expenses, claims or
liabilities of any kind or nature, in connection with, arising out of
15 or in any way related to their use or disclosure of the foregoing
medical information between and among any of them.

3. SC's Commitments.

5 (a)Case Management. SC agrees that it shall be responsible for
interfacing with Surgeon, Patient and Payor including, but not
limited to, communicating with Surgeon, Patient and Payor in
order to prepare Exhibit "A," reviewing the operative report, and
determining (pursuant to Section 1[e]) whether certain pre-
authorized surgical procedures should be deleted and not charged
10 to Payor.

(b)Claims Submission. Based upon SC's review of the
operative report and the pre-authorization and allowed amounts
set forth in Exhibit "A," SC shall submit Surgeon's claim for
15 payment to Payor; provided, that Payor shall pay Surgeon directly
and concurrently provide SC with notice of payment. SC agrees
that Payor shall not be required to pay SC any amount for SC's
services pursuant to this Agreement. Payor's only payment
obligation with respect to Surgeon's services shall be to pay the
20 Surgeon's Fee (and the separate anesthesia and other professional
fees, and hospital or ambulatory surgery center facility charges).

(c)Representations. SC represents and warrants that SC and
Surgeon shall have entered into a General Terms and Conditions
25 Agreement (Surgeon) and Authorization Form pursuant to which
Surgeon shall have agreed (among other things) as follows: (i) to
authorize SC to act as Surgeon's agent in order to carry out the
terms of this Agreement; (ii) acknowledge that SC is also acting
as the agent and attorney-in-fact for Patient; (iii) to accept as
30 payment in full the Surgeon's Fee, calculated in accordance with
the terms of this Agreement; (iv) to not attempt to seek any

additional payment from Payor or Patient; and (v) to resolve any disputes arising out of or in connection with the General Terms and Conditions Agreement (Surgeon) and Authorization Form, pursuant to the procedures set forth in Section 6 of this Agreement.

(d)[Can be used when a patented or patent pending surgical procedure(s) is to be performed] Payor acknowledges that patents are pending on the surgical procedures described in Exhibit "B," and that the patent holder has granted a license to SC with respect to such surgical procedures. The surgical procedure(s) described in Exhibit "A" include one or more of the patented procedures described in Exhibit "B." Payor acknowledges and agrees that unless it is sub-licensed by SC to do so, it may not authorize, direct or pay Surgeon for the performance of the patented procedures. Accordingly, SC hereby grants to Payor a one-time, non-exclusive, revocable license to Payor to pay Surgeon (pursuant to Section 1 hereof) for the performance of the patented surgical procedure(s). Except as expressly authorized above, any use or payment for the patented surgical procedure(s) is prohibited.

(e)Facility Fees. SC hereby represents and warrants that if the hospital or ASC where the surgical procedure(s) set forth in the Authorization Form is to be performed is not or is deemed to not be, a contracting, participating provider of Payor, SC shall enter a Preferred Provider Agreement with the hospital or ASC pursuant to which the hospital or ASC will agree to not attempt to bill or collect from Payor an amount greater than the "out-of-

network” rates (less applicable copayments and deductibles) for such surgical procedure(s).

5 4. Term and Termination.

 (a)Term. The parties hereto agree that the term of this Agreement shall commence as of the date first set forth above and
10 shall continue until the pre-authorized surgical procedure(s) has been performed and Surgeon and SC have been paid as provided in this Agreement.

15 (b)Termination. This Agreement may be terminated only for a material breach. In the event a party contends that another party has breached the Agreement, the complaining party shall give written notice to the other parties specifying the nature of the alleged breach. In that event, the allegedly breaching party shall
20 have ten (10) days to cure the alleged breach. If the breach is not cured in such 10-day period, the Agreement shall terminate unless the complaining party extends the time to cure or waives the alleged breach. A termination of the Agreement for non-payment of the Surgeon’s Fee or the Copayment shall not be construed as
25 a waiver of the Surgeon’s or SC’s right to payment in full in accordance with the terms of this Agreement.

 5. Independent Contractor Relationship; Practice of
30 Medicine.

 The parties hereto, and each of their shareholders, officers, directors, partners, employees and other agents, are at all times independent contractors with respect to the other parties hereto.

Nothing in this Agreement shall be construed to make or render any party or any of its shareholders, members, directors, officers, partners, employees or other agents an employee, agent, partner or joint venturer of or with the other party, except as expressly provided in Section 2(a) of this Agreement. Payor and Patient acknowledge and agree that (a) Surgeon shall be the only party who makes any decisions regarding the care and treatment of Patient, (b) SC does not practice medicine and, (c) SC shall not make or be responsible for any decisions regarding the care and treatment of Patient.

6. Disputes.

5 (a)Mediation. In the event of a dispute under this Agreement,
the Parties hereto shall first attempt to resolve the matter by
devoting not more than eight (8) hours to non-binding mediation
before a neutral mediator to be agreed upon by the disputing
parties. The mediation shall be held in the County of Contra
Costa, California. The parties agree to select and meet with the
10 mediator within thirty (30) days of a demand for mediation by any
party under this Section 6(a). If the parties are unable to resolve
their dispute through mediation, they shall have the right to
demand arbitration pursuant to Section 6(b) of this Agreement.

15 (b)Arbitration. Except as may be otherwise provided in Section
7(i) of this Agreement, any controversy or claim arising out of or
relating to this Agreement, including the formation, performance,
termination or any breach hereof, shall be settled by binding
20 arbitration in accordance with the rules for commercial disputes
of the American Arbitration Association, and judgment upon the
award rendered by the arbitrator may be entered in any court
having jurisdiction thereof. Discovery shall be available in such
arbitration to the full extent provided for by the California Code
25 of Civil Procedure with respect to matters litigated in California
courts. Such arbitration shall occur within the County of Contra
Costa, State of California, unless the parties mutually agree to
have such proceeding in some other locale. The arbitrator shall
make written findings of fact and law and shall have no authority
30 to make any conclusions of law or award that could not be made

by a court of law. In any such arbitration, the arbitrator may award attorneys' fees and costs to the prevailing party or in such proportions as the arbitrator may allow. Notwithstanding anything to the contrary in this Agreement, the parties hereto agree that Patient shall not be required to submit to arbitration any claims for alleged "medical malpractice" as that term is defined in California Code of Civil Procedure Section 1295.

7. General Provisions.

(a) Notices. Any notices required or permitted to be given hereunder by a party to any other party shall be in writing and may be given by personal delivery, by facsimile or by registered or certified mail, postage prepaid, return-receipt-requested. Notices shall be addressed or sent by facsimile to the parties at the addresses and facsimile numbers which follow:

SC: _____
SC Address: _____
Attn: _____
Facsimile No. _____

PAYOR: _____

_____, _____
Attn: _____
Facsimile No. _____

PATIENT: _____

Facsimile No. _____

Any party may change its address or facsimile number for notice by notice given in accordance with this Section. Notices delivered personally or by facsimile will be deemed

communicated as of actual receipt; mailed notices will be deemed communicated on the third (3rd) day after proper mailing.

5 (b) Entire Agreement of the Parties. This Agreement
supersedes any and all agreements, either written or oral, between
the parties hereto with respect to the subject matter of this
Agreement. Each party to this Agreement acknowledges that no
representations, inducements, promises or agreements, oral or
otherwise, have been made by any other party, or anyone acting
10 on behalf of any party, which are not embodied herein, and that
no other agreement, statement, or promise not contained in this
Agreement shall be valid or binding. Any modification of this
Agreement will be effective only if it is in writing signed by the
party to be charged.

15 (c) Severability. If any provision of this Agreement is held
by a court of competent jurisdiction to be invalid, void or
unenforceable, the remaining provisions will nevertheless
continue in full force and effect, unless such invalidity would
20 defeat an essential business purpose of this Agreement.

 (d) Governing Law. This Agreement will be governed by and
construed in accordance with the laws of the State of California.

25 (e) Assignment. This Agreement shall be binding upon and
shall inure to the benefit of the parties and their respective heirs,
legal representatives, successors and assigns. No party may
assign this Agreement nor any of its rights or obligations
hereunder, without the prior written consent of the non-assigning

party. Any assignment or delegation in contravention of this provision shall be null and void.

5 (f) Attorney's Fees. Should any party to this Agreement institute any arbitration or other action or proceeding, to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the arbitrator or court may award the prevailing party in any such arbitration, action or
10 proceeding its costs and expenses, including without limitation reasonable attorney's fees, incurred by the prevailing party in such arbitration, action or proceeding.

15 (g) Amendment. This Agreement may not be amended, supplemented, modified or restated except by a writing signed by all of the parties hereto.

20 (h) Third Party Beneficiaries. Except for Payor, Patient, SC and Surgeon and their respective successors or assigns, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any person, firm, corporation or entity, any remedy or claim under or by reason of this Agreement or any term, covenant or condition hereof, as third party beneficiaries or otherwise, and all of the terms, covenants and conditions hereof
25 shall be for the sole and exclusive benefit of Payor, Patient, SC and Surgeon and their successors and assigns. Payor acknowledges and agrees that Surgeon is an intended beneficiary of this Agreement. Accordingly, Surgeon shall have the right to institute an arbitration (in accordance with Section 6[b] hereof)
30 against Payor for any breach of this Agreement.

(i) Proprietary Information.

5 (i) Except as provided in Section 2(d) of this
Agreement, at all times during and after the term of this
Agreement, Payor shall maintain the confidentiality of all
information regarding SC and Patient including, but not limited
to, this Agreement, SC's idea and concept for assisting patients
to be treated by the physician of their choice without incurring a
10 financial penalty in the form of higher copayments and
deductibles, (the "Idea") and the Patient's name, address, and
telephone number and medical records, and shall not disclose
such information to any person not a party to this Agreement
other than to a party's legal counsel or accountant. Payor
15 acknowledges and agrees that such information with respect to
SC constitutes confidential and proprietary information and a
trade secret within the meaning of the Uniform Trade Secrets Act
(the "Act") contained in California Civil Code Sections 3426 et
seq; and that such information with respect to Patient constitutes
20 confidential medical record information within the meaning of
Civil Code Section 56 et seq. At all times during and after the
term of this Agreement, unless it is necessary to do so in order for
Payor to be able to carry out the terms of this Agreement, or is
otherwise permitted pursuant to Section 2(d) of this Agreement,
25 Payor shall not disclose, reveal, divulge, distribute or make
known or use or exploit any confidential or propriety information
regarding Patient or SC for its own benefit or gain.

 (ii) Payor agrees that the Idea, this Agreement
30 and SC's related confidential and proprietary information to be

disclosed to Payor constitute items of substantial value to SC and any unauthorized use or disclosure thereof in breach or violation of the covenants contained herein will result in substantial damages to SC, which damages SC may seek to redress through the commencement of legal proceedings against Payor. In addition to the covenants contained herein and any other remedies available at law or in equity, SC shall receive all of the protections and be afforded all of the remedies available under the Act. Further, Payor agrees that the covenants and restrictions set forth herein: (i) are necessary, fundamental and required for the protection of SC's Idea and related confidential and proprietary information, and (ii) relate to matters which may be of an extraordinary character that give such covenants a special, unique value. A material breach of any of these covenants may result in irreparable harm and damage which cannot be adequately compensated by a monetary award. Accordingly and notwithstanding Section 6(a) and 6(b) of this Agreement, in addition to all other remedies available at law or in equity, SC shall be entitled to the immediate remedy of a temporary restraining order, preliminary injunction or such other form of temporary or permanent injunctive or equitable relief as may be issued by a court of competent jurisdiction to restrain or enjoin a breach of all or any portion of the covenants contained herein or to specifically enforce the provisions hereof, without proof of actual damage.

(iii) The provisions of this Section 7(i) shall survive the termination or expiration of this Agreement.

(j) Headings. The subject headings of the Sections of this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

5

(k) Interpretation. No party to this Agreement shall be deemed the drafter of this Agreement. If this Agreement is ever interpreted or construed by a court of law or arbitrator, such court or arbitrator shall not construe this Agreement or any provision hereof against any party as drafter.

10

(l) Counterparts. This Agreement may be executed in multiple counterparts, each of which should be deemed to be an original and all of which taken together shall constitute a single instrument. A facsimile or electronic signature shall be deemed an original signature for all purposes.

15

(m) Time of the Essence. The parties acknowledge and agree that time is of the essence in the performance of their respective duties and obligations under this Agreement.

20

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

25

“PAYOR”

“SC”

30

By: _____ By: _____

Print Name

Print Name

35

5

Title

Title

"PATIENT"

10

Print Name

EXHIBIT "A"

**SC
Authorization Form**

1. Patient Name: _____

2. Policy number: _____

3. Procedure: _____

4. Authorized Codes and Allowed Amounts

Code	Description	Amount

5. Total allowed amount \$ _____

6. Payor shall pay the Surgeon the following amount \$ _____

**7. Patient shall pay SC the following copayment
amount: \$** _____

8. Payments to other physicians and to the hospital or ambulatory surgery center shall be as set forth in Sections 1(c), 1(h), and 2(b)(ii) of this Agreement.

9. Nothing in this Authorization Form shall relieve Patient of his or her responsibility to pay the applicable copayment amount(s) to any other physicians (e.g., assistant surgeon, anesthesiologist, radiologist, and pathologist) who renders pre-, intra-, or post-operative services in connection with the surgical procedure(s) set forth above.

EXHIBIT "B"

[Can be used if patented surgical procedure(s) to be performed]

- 5 1. Knowlton, E.W. U.S. Patent No. 5,301,692, April 12,
 1994. Method for Total Immediate Post-Mastectomy
 Breast Reconstruction Using a Latissimus Dorsi
 Myocutaneous Flap.
- 10 2. Knowlton, E.W. U.S. Patent No. 5,765,567, June 16,
 1998. Surgical Method for Breast Reconstruction Using
 a Tissue Flap.
3. Knowlton, E.W. U.S. Patent No. 5,824,076, Oct 20,
 1998. Surgical Method for Breast Reconstruction Using
 a Neovascular Tissue Peg.

APPENDIX XII

PRE-AUTHORIZATION AND PAYMENT AGREEMENT

5

(NO. 4)

This Pre-Authorization and Payment Agreement (No. 4) (the
“Agreement”) is entered into as of this _____ day of 200__, by
and between _____, an individual person
10 (“Patient”), and SC Financial Services [Inc.], a California
[Corporation] (“SC”), with reference to the following facts:

A. Patient requires surgery.

15

B. Patient and SC desire that Patient be treated by a qualified
surgeon of his or her choice.

20

C. Patient desires to choose a surgeon (“Surgeon”) who is not
a contracting provider of the party responsible for paying for such
surgical services for Patient (“Payor”). But Patient has a financial
disincentive to choose an “out-of-network” Surgeon because
Patient will be required to pay higher deductible and copayment
amounts if Patient does so.

25

D. SC is in the business of assisting patients who want to be
treated by the surgeon of their choice to be able to do so without
paying higher copayments and deductibles.

30

E. SC assists patients to be seen by the surgeon of their choice
by arranging with payors to pay the surgeon (and the hospital or
ambulatory surgery center where the surgery will be performed

[sometimes hereinafter referred to as the "Facility" or "Facilities")) based upon the "in network" percentage of the allowed amount paid to contracting providers of the payor, subject to the surgeon and patient agreeing to certain terms and conditions.

F. Patient desires to establish prior to the performance of the surgical procedure by Surgeon, the co-payment amount he or she will be required to pay for the procedure.

G. The parties desire to avoid any potential, post-surgery disputes with respect to the medical necessity for the surgical procedure, Patient's eligibility and coverage for the procedure, the authorization to perform the procedure, the allowed amount for the procedure, Patient's financial responsibility for the procedure, and the amount to be paid to Surgeon for the procedure.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth below, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Patient's Commitments.

(a) Appointment of SC. Patient hereby authorizes and directs SC to act as his or her agent and attorney-in-fact with respect to the subject matter of this Agreement; provided, Patient agrees that SC shall not be liable for, and shall be released from, any lawsuits, damages, expenses, claims or liabilities of any kind or

nature, in connection with, arising out of or in anyway related to SC's acts or failures to act on behalf of Patient; provided, that the foregoing release shall not apply to any conduct by SC that constitutes a criminal act or gross negligence. Patient acknowledges that SC is also acting as the agent and attorney-in-fact for Surgeon in connection with this Agreement. Patient hereby consents to such dual representation and waives any actual or potential conflict of interest that may result therefrom.

(b) Copayment Responsibility.

(i) Professional Fee. Patient agrees that he or she shall be responsible to pay an amount (the "Copayment") equal to _____ (____%) of the allowed amounts set forth in the Authorization Form attached hereto and designated as Exhibit "A" for the surgical procedure(s) approved by Payor and SC. Patient shall pay the Copayment to SC for its services pursuant to this Agreement. Patient agrees that he or she shall not have the right to claim that Payor is required to pay Surgeon a greater portion or percentage of the allowed amount for the surgical procedure(s) authorized pursuant to Exhibit "A." Patient agrees that he or she shall pay or arrange for the payment of the Copayment to SC prior to the performance of the surgical procedure. Such payment shall be made either by cash, check or credit card. In the event that the Surgeon's Fee is subsequently reduced because surgical codes have been deleted by SC pursuant to Section 2(b), SC shall promptly refund to Patient the portion of the Copayment amount paid by Patient with respect to such deleted codes.

(ii) Facility Fee. Patient agrees that he or she shall be responsible to pay directly to the hospital or ASC the deductible and/or Copayment amount with respect to and based upon, the hospital's or ASC's "in network" facility fee.

5

(c) Release of Medical Information. Notwithstanding Section 56.10 of the California Civil Code or any other applicable state or federal law, Patient hereby authorizes Surgeon to furnish and disclose to SC and to Payor, and authorizes SC to furnish and disclose to Payor and Surgeon, Patient's medical records and information in connection with the surgical procedures(s) authorized pursuant to Exhibit "A." Patient hereby agrees that SC, Payor and Surgeon shall not be liable for, and shall be released from, any lawsuit, damages, expenses, claims or liabilities of any kind or nature, in connection with, arising out of or in any way related to their use or disclosure of the foregoing medical information between and among any of them.

10

15

(d) Third Party Beneficiary. Patient agrees that Payor and Surgeon are expressly intended to and shall be third party beneficiaries of this Agreement.

20

2. SC's Commitments.

25

(a) Payor's and Surgeon's Commitments. SC represents and warrants, first, that Payor shall have entered into either a General Terms and Conditions Agreement (Payor) and Authorization Form, and, second that SC and Surgeon shall have entered into a General Terms and Conditions Agreement (Surgeon) and

30

Authorization Form, pursuant to which Payor and Surgeon, respectively, shall have agreed as follows:

(i) Payor shall have agreed:

5 (1)to authorize Surgeon to perform the surgical procedure(s) and to pay Surgeon based upon the allowed amounts set forth in Exhibit "A";

10 (2)to pay the "in network", contracting physician fee to any other physicians (e.g., anesthesiology, radiology and pathology) who render pre-, intra- or post-operative services in connection with the surgical procedure(s) set forth in Exhibit "A";

15 (3)to pay the "in network", participating provider fee to the hospital or ambulatory surgery center ("ASC") where the surgical procedure(s) set forth in Exhibit "A" is performed.

20 (4)to pay the Surgeon's Fee directly to Surgeon within thirty (30) calendar days of receipt from SC of the Surgeon's operative report;

25 (5)that Payor shall not have the right to reduce or deny payment of the Surgeon's Fee after the surgical procedure(s) has been performed; and

 (6)to resolve any dispute arising out of or in connection with the General Terms and Conditions Agreement (Payor) pursuant to the procedures set forth in Section 5 of this Agreement

30 (ii) Surgeon shall have agreed:

(1)to acknowledge that SC is also acting as the agent and attorney-in-fact for the Patient;

5

(2)to accept as payment in full the Surgeon's Fee, to accept a downward adjustment in the Surgeon's Fee if SC determines that a less complex surgical procedure was performed than was pre-authorized pursuant to Exhibit "A", and to not attempt to seek any additional payment from Payor or Patient;

10

(3)perform the surgical procedure(s) authorized pursuant to Exhibit "A" at the time and date agreed upon by Patient, Surgeon and SC; and

15

(4)to resolve any disputes arising out of or in connection with the General Terms and Conditions Agreement (Surgeon), pursuant to the procedures set forth in Section 5 of this Agreement.

20

(b)Case Management. SC agrees that it shall be responsible for interfacing with Patient, Surgeon and Payor including, but not limited to, communicating with Patient, Surgeon and Payor in order to prepare Exhibit "A," reviewing the operative report, and determining whether certain pre-authorized surgical procedures should be deleted and not charged to Payor.

25

(c)Claims Submission. Based upon SC's review of the operative report and the pre-authorization and allowed amounts set forth in Exhibit "A," SC shall submit Surgeon's claim for

30

payment to Payor; provided, that Payor shall pay Surgeon directly and concurrently provide SC with notice of payment. SC and Patient agree that Payor shall not be required to pay SC any amount for SC's services pursuant to this Agreement. Payor's
5 only payment obligation with respect to Surgeon's services shall be to pay the Surgeon's Fee (and the separate anesthesia and other professional fees, and hospital or ambulatory surgery center facility charges).

10

3. Term and Termination.

(a)Term. The parties hereto agree that the term of this Agreement shall commence as of the date first set forth above and shall continue until the pre-authorized surgical procedure(s) has been performed and Surgeon and SC have been paid as provided in this Agreement.

(b)Termination. This Agreement may be terminated only for a material breach. In the event a party contends that another party has breached the Agreement, the complaining party shall give written notice to the other party specifying the nature of the alleged breach. In that event, the allegedly breaching party shall have ten (10) days to cure the alleged breach. If the breach is not cured in such 10-day period, the Agreement shall terminate unless the complaining party extends the time to cure or waives the alleged breach. A termination of the Agreement for non-payment of the Surgeon's Fee or the Copayment shall not be construed as a waiver of the Surgeon's or SC's right to payment in full in accordance with the terms of this Agreement.

4. Independent Contractor Relationship; Practice of Medicine.

The parties hereto, and each of their shareholders, members, officers, directors, partners, employees and other agents, are at all times independent contractors with respect to the other parties hereto. Nothing in this Agreement shall be construed to make or render any party or any of its shareholders, members, directors, officers, partners, employees or other agents an employee, agent,

partner or joint venturer of or with the other party, except as expressly provided in Section 1(a) of this Agreement. SC and Patient acknowledge and agree that (a) Surgeon shall be the only party who makes any decisions regarding the care and treatment of the Patient, (b) SC does not practice medicine, and (c) SC shall not make or be responsible for any decisions regarding the care and treatment of Patient.

5. Disputes.

(a) Mediation. In the event of a dispute under this Agreement, the Parties hereto shall first attempt to resolve the matter by devoting not more than eight (8) hours to non-binding mediation before a neutral mediator to be agreed upon by the disputing parties. The mediation shall be held in the County of Contra Costa, California. The parties agree to select and meet with the mediator within thirty (30) days of a demand for mediation by any party under this Section 5(a). If the parties are unable to resolve their dispute through mediation, they shall have the right to demand arbitration pursuant to Section 5(b) of this Agreement.

(b) Arbitration. Any controversy or claim arising out of or relating to this Agreement, including the formation, performance, termination or any breach hereof, shall be settled by binding arbitration in accordance with the rules for commercial disputes of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Discovery shall be available in such arbitration to the full extent provided for by the California Code

of Civil Procedure with respect to matters litigated in California courts. Such arbitration shall occur within the County of Contra Costa, State of California, unless the parties mutually agree to have such proceeding in some other locale. The arbitrator shall
5 make written findings of fact and law and shall have no authority to make any conclusions of law or award that could not be made by a court of law. In any such arbitration, the arbitrator may award attorneys' fees and costs to the prevailing party or in such proportions as the arbitrator may allow. Notwithstanding anything
10 to the contrary in this Agreement, the parties hereto agree that neither Patient nor Surgeon shall be required to submit to arbitration any claims for alleged "medical malpractice" as that term is defined in California Code of Civil Procedure Section
15 1295.

6. General Provisions.

20 (a) Notices. Any notices required or permitted to be given hereunder by a party to any other party shall be in writing and may be given by personal delivery, by facsimile or by registered or certified mail, postage prepaid, return-receipt-requested. Notices shall be addressed or sent by facsimile to the parties at
25 the addresses and facsimile numbers which follow:

30 SC: _____
SC Address: _____
Attn: _____
Facsimile No. _____

PATIENT: _____

35 Facsimile No. _____

Any party may change its address or facsimile number for notice by notice given in accordance with this Section. Notices delivered personally or by facsimile will be deemed communicated as of actual receipt; mailed notices will be deemed communicated on the third (3rd) day after proper mailing.

(b) Entire Agreement of the Parties. This Agreement supersedes any and all agreements, either written or oral, between the parties hereto with respect to the subject matter of this Agreement. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, oral or otherwise, have been made by the other party, or anyone acting on behalf of the party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing signed by the party to be charged.

(c) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force and effect, unless such invalidity would defeat an essential business purpose of this Agreement.

(d) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California.

(e) Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs,

5 legal representatives, successors and assigns. No party may assign this Agreement nor any of its rights or obligations hereunder, without the prior written consent of the non-assigning party. Any assignment or delegation in contravention of this provision shall be null and void.

10 (f) Attorney's Fees. Should any party to this Agreement institute any arbitration or other action or proceeding, to enforce this Agreement or any provision hereof, or for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the arbitrator or court may award the prevailing party in any such arbitration, action or proceeding its costs and expenses, including without limitation reasonable attorney's fees, incurred by the prevailing party in such arbitration, action or proceeding.

15 (g) Amendment. This Agreement may not be amended, supplemented, modified or restated except by a writing signed by all of the parties hereto.

20 (h) Third Party Beneficiaries. Except for Payor, Patient, SC and Surgeon and their respective successors or assigns, nothing in this Agreement, expressed or implied, is intended or shall be construed to confer upon any person, firm, corporation or entity, any remedy or claim under or by reason of this Agreement or any term, covenant or condition hereof, as third party beneficiaries or otherwise, and all of the terms, covenants and conditions hereof shall be for the sole and exclusive benefit of Payor, Patient, SC and Surgeon and their successors and assigns.

30

(i) Headings. The subject headings of the Sections of this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

5

(j) Interpretation. Neither party to this Agreement shall be deemed the drafter of this Agreement. If this Agreement is ever interpreted or construed by a court of law or arbitrator, such court or arbitrator shall not construe this Agreement or any provision hereof against any party as drafter.

10

(k) Counterparts. This Agreement may be executed in multiple counterparts, each of which should be deemed to be an original and all of which taken together shall constitute a single instrument. A facsimile or electronic signature shall be deemed an original signature for all purposes.

15

(l) Time of the Essence. The parties acknowledge and agree that time is of the essence in the performance of their respective duties and obligations under this Agreement.

20

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

25

“SC”

30 SC Financial Services [, Inc.?]

By: _____

35

Print Name

5

Title

"PATIENT"

Print Name

EXHIBIT "A"

**SC
Authorization Form**

1. Patient Name :

2. Policy number:

3. Procedure:

4. Authorized Codes and Allowed Amounts

Code	Description	Amount

5. Total allowed amount: \$ _____

6. Payor shall pay the Surgeon the following amount: \$ _____

**7. Patient shall pay SC the following copayment
amount: \$ _____**

8. Payments to other physicians and to the hospital or ambulatory surgery center shall be as set forth in Sections 1(b)(ii), 2(a)(i)(2) and 2(a)(i)(3) of this Agreement.

9. Nothing in this Authorization Form shall relieve Patient of his or her responsibility to pay the applicable copayment amount(s) to any other physicians (e.g., assistant surgeon, anesthesiologist, radiologist, and pathologist) who renders pre-, intra-, or post-operative services in connection with the surgical procedure(s) set forth above.